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Volume II

OFFICE OF THE LEGISLATIVE FISCAL ANALYST

HELENA, MONTANA • JANUARY 1983



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BUDGET ANALYSIS
1985 BIENNium
Presented to the 1983 Legislature

Volume II

Submitted by
The Office of the Legislative Fiscal Analyst

Helena, Montana

January 1983



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JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

January, 1983

Members of the Forty-Eighth Legislature
Members of the Legislative Finance Committee

Enclosed is the staff's analysis of the executive budget required under provisions of 5-12-302, MCA. The Legislative Finance Committee, in directing the staff to conduct this comprehensive analysis, felt an independent review of the executive's main fiscal proposals would offer a range of policy options not otherwise available.

I hope you find the Budget Analysis useful in your deliberation.

Sincerely,

A handwritten signature in cursive script that reads "Judy Rippingale".

Judy Rippingale
Legislative Fiscal Analyst

BUDGET ANALYSIS
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I N S T I T U T I O N S

DEPARTMENT OF INSTITUTIONS
Central Office

INSTITUTIONS - CENTRAL OFFICE

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	176.95	\$24,917,187	\$30,775,640
LFA Current Level	<u>170.60</u>	<u>23,098,356</u>	<u>36,354,270</u>
Executive Over (Under) LFA	6.35	\$ 1,818,831	\$(5,578,630)
	====	=====	=====

The executive budget includes 6.35 additional FTE and exceeds the current level general fund by \$1,818,831 over the biennium. However, total funds portray the executive budget as being \$5.6 million under current level.

The major differences are summarized below by program area.

DIRECTOR'S OFFICE

There are two major differences between the current level and the executive budget. The executive included both the addition of a staff lawyer and a PSRO review in fiscal 1984. The LFA current level did not include these, but put them as issues for the legislature to act upon. This represents a difference of approximately \$65,000 over the biennium.

MANAGEMENT SERVICES DIVISION

There are two major differences between current level and the executive budget. The first is that the LFA current level did not reduce the division FTE in accordance with the Governor's Council on Management, but instead retained the FTE at current level with the exception of the transfer of two FTE to the Director's Office. This accounts for approximately \$165,000 of the biennium difference between the two budgets.

The second difference is that the current level did not include the additional data processing and long range planning expenses that were included in the executive budget. This represents a \$190,000 difference over the biennium.

DEPARTMENT OF INSTITUTIONS
Central Office

The LFA current level allocates the 10 percent maximum level of ADAD/MH&RS block grant, or approximately \$380,000 over the biennium, to the division for administrative functions. The executive funds the Management Services Division solely with general fund.

CORRECTIONS DIVISION

The executive budget includes general fund for an additional five FTE parole and probation officers and related operating expenses totalling approximately \$300,000 over the biennium. Another major difference is attributable to the daily rate used to budget for pre-release centers. This current level analysis maintains the pre-release centers' daily rates, adjusted for inflation, at the level established during Special Session II. The executive budget is \$93,000 higher for this expense.

WOMENS' CORRECTIONAL PROGRAM

The difference between the executive budget and the current level is a result of the inclusion of 2.35 FTE over current level in the executive budget. This represents approximately \$80,000 of the difference in personal services expenditures over the biennium.

Operating expenses are lower in this analysis as a result of maintaining food costs at current level, reducing travel expenditures due to fewer out-of-state inmates, and limiting clothing and personal items. This explains approximately \$21,000 of the operating expense difference over the biennium.

Equipment items are \$3,500 lower in current level than in the executive budget over the biennium.

CORRECTIONS MEDICAL EXPENSES

The executive budget exceeds the current level by approximately \$50,000 in each year of the biennium. Current level maintains the medical costs per person adjusted for inflation and the anticipated population in 1984 and 1985.

MENTAL HEALTH

Current level for the Mental Health and Residential Services Division is substantially greater than the executive budget due to the inclusion of Medicaid funds which will be disbursed to the Department of Institutions from SRS. The executive budget does not include Medicaid within the department's budget. This represents approximately \$3 million over the biennium.

The Mental Health and Residential Services Program has been separated into two programs in our analysis to facilitate the allocation of mental health care costs. This has not been done in the executive budget.

ALCOHOL AND DRUG ABUSE

The executive budget includes a lower amount for discretionary grants of approximately \$100,000 in fiscal 1984 and \$200,000 in fiscal 1985. Current level maintains alcohol fund distributions consistent with the amount originally anticipated to be passed thru to the counties in fiscal 1982. This analysis also includes spending authority of approximately \$4 million over the biennium for these pass-thru funds. Spending authority will be required for these funds under the new treasury fund structures.

CENTRAL OFFICE

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Level Fiscal 1984	Fiscal 1985	% Change Biennium 1983-85
FTE	174.78	189.10	170.60	170.60	(6.2)

Fund Source

General Fund Approp.	\$ 9,286,734	\$11,501,453	\$11,344,887	\$11,753,469	11.1
Other Funds Approp.	2,083,046	2,147,706	6,472,301	6,783,613	213.3
Funds Budget Amended	<u>1,634,646</u>	<u>2,096,418</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$13,004,426 =====	\$15,745,577 =====	\$17,817,188 =====	\$18,537,082 =====	26.4 =====

Expenditures by Object

Personal Services	\$ 3,666,442	\$ 4,479,036	\$ 3,962,642	\$ 3,958,683	(2.7)
Operating Expenses	2,354,971	3,331,217	3,307,423	3,490,197	19.5
Equipment	<u>81,300</u>	<u>46,750</u>	<u>75,269</u>	<u>37,817</u>	<u>(11.6)</u>
Total Operating Costs	\$ 6,102,713	\$ 7,857,003	\$ 7,345,334	\$ 7,486,697	6.2
Non-Operating Expend.	<u>6,901,713</u>	<u>7,888,574</u>	<u>10,471,854</u>	<u>11,050,385</u>	<u>45.5</u>
Total Expenditures	\$13,004,426 =====	\$15,745,577 =====	\$17,817,188 =====	\$18,537,082 =====	26.4 =====

The Central Office encompasses the programs: Director's Office, Management Services, Alcohol and Drug Abuse, Corrections, and Mental Health and Residential Services. An analysis of each of these programs is included in the following section.

DIRECTOR'S PROGRAM

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	7.00	8.00	9.00	9.00	20.0
<u>Fund Source</u>					
General Fund Approp.	\$250,099	\$336,412	\$314,380	\$317,666	7.7
Other Funds Approp.	<u>29,049</u>	<u>36,720</u>	<u>31,907</u>	<u>31,890</u>	<u>(2.9)</u>
Total Funds	\$279,148 =====	\$373,132 =====	\$346,287 =====	\$349,556 =====	6.6 ===

Expenditures by Object

Personal Services	\$235,313	\$294,370	\$307,196	\$306,571	15.8
Operating Expenses	42,806	78,762	38,296	41,942	(33.9)
Equipment	<u>1,029</u>	<u>-0-</u>	<u>795</u>	<u>1,043</u>	<u>78.6</u>
Total Operating Costs	\$279,148 =====	\$373,132 =====	\$346,287 =====	\$349,556 =====	6.6 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. An Additional Lawyer				
Option a.	\$27,693	\$ -0-	\$27,668	\$ -0-
Option b.	5,000	-0-	5,000	-0-
2. Continue the PSRO	\$ 8,950	\$ -0-	\$ -0-	\$ -0-

The Director's Program of the Central Office coordinates the administrative tasks of the Department of Institutions. The purpose of the office is to assure that uniform and legal personnel policies and inmate treatment policies are maintained.

Current Level Adjustments

Personal services - Personal services have remained at current level with the exception of the transfer of two FTE to the Director's Program from the Management Services Program. The rationale behind this transfer was to consolidate the personnel functions within the department. An

authorized research position, grade 13, that was vacant all of fiscal 1982 was deleted.

A vacancy savings factor of 3 percent was realized in fiscal 1982 and is recommended for the 1985 biennium.

Operating Expenses - With the shift in personnel from the Management Services Program, operating expenses have increased \$2,892. The major components of this are \$1,897 for telephone use and \$555 for travel.

Contracted services have been reduced by \$8,950 for Professional Standards Review Organization (PSRO) fees (see Issue 2). The Montana Medical Foundation performed the standards review in fiscal 1982 on issues such as medical policies and procedures, salary structures and contracts, and the performance of the department's doctors. The contracted services of a separate medical review panel have been increased from \$500 per year to \$2,000 per year to allow the panel to meet four times a year, rather than once a year.

"Other" expenses have been reduced by \$216 in one-time charges and \$253 in newspaper subscriptions. Subscriptions to three major dailies are not essential for the operation of the office as the office has a clipping service for the majority of Montana newspapers. The clipping service has increased from \$296 to \$396 per year.

Funding - An administrative officer IV in this program is the director of the Prison Industries Program. The salary and related expenses for this position are funded from the prison industries revolving account. This will amount to \$31,907 in fiscal 1984 and \$31,890 in fiscal 1985. The remainder of this program utilizes the general fund.

Equipment - The office requested a paper shredder to destroy confidential documents and a typewriter to replace one purchased in 1974. Both of these items have been included for a total of \$795 in fiscal 1984 and \$1,043 in fiscal 1985.

Issue 1: Request for an Additional Lawyer

The office currently has one attorney on staff, but the department contends that, as a result of increased work loads, an additional attorney is needed. The office was funded for two attorneys in the 1981 biennium, but one of these positions was left vacant throughout the biennium to

generate funds for upgrading positions and to cover contracted services that were not budgeted. The 1981 Legislature eliminated one lawyer position and increased the funds for contracted legal services by \$5,000 for fiscal 1982 and 1983. Actual fiscal 1982 expenditures for legal services by the office were \$704. This amount has been included in the current level base.

The department has not presented work load statistics to justify the new position.

OPTIONS

Option a: Fund the additional lawyer. The salary and benefits of the grade 15 lawyer would be \$27,693 in fiscal 1984 and \$27,668 in fiscal 1985.

Option b: Increase the funds allocated for legal services to the 1982 appropriated level of \$5,000. This would provide over 140 hours of legal services when contracted through the Attorney General's office.

Option c: Do not fund the request.

Issue 2: Professional Standards Review Organization

The office has requested \$8,950 in fiscal 1984 for a Professional Standards Review Committee to serve as an advisory medical resource in reviewing medical policies and procedures, evaluating the medical services of the department's doctors, and reviewing salary structures and contracts.

This was the function of a similar contract in fiscal 1982 for \$8,950. The department hopes to perform a PSRO evaluation every two years.

The department is currently contracting with three physicians to make objective recommendations regarding elective surgery. The function of this panel is not the same as that of the PSRO. This contract is to protect the department from civil rights cases that could arise where an objective, third-party opinion is lacking with respect to the necessity of the elective surgery. In fiscal 1982, the contract was for \$500 to allow the panel to meet once per year. The base request was adjusted to \$2,000 to allow the panel to meet four times per year.

OPTIONS

Option a: Fund the request for \$8,950 in fiscal 1984.

Option b: Do not fund the request.

MANAGEMENT SERVICES DIVISION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	36.00	36.00	34.00	34.00	(5.5)
<u>Fund Source</u>					
General Fund Approp.	\$774,175	\$ 949,231	\$793,264	\$763,374	(9.6)
Other Funds Approp.	<u>129,423</u>	<u>73,037</u>	<u>184,652</u>	<u>195,731</u>	<u>87.8</u>
Total Funds	\$903,598 =====	\$1,022,268 =====	\$977,916 =====	\$959,105 =====	0.5 ===
<u>Expenditures by Object</u>					
Personal Services	\$727,111	\$ 809,071	\$759,346	\$758,352	(1.2)
Operating Expenses	175,191	210,630	218,570	197,274	7.7
Equipment	<u>1,296</u>	<u>2,567</u>	<u>-0-</u>	<u>3,479</u>	<u>(9.9)</u>
Total Operating Costs	\$903,598 =====	\$1,022,268 =====	\$977,916 =====	\$959,105 =====	0.5 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Long-range Data				
Processing/Planning	\$81,740	\$ -0-	\$108,333	\$ -0-

The Management Services Division of the Central Office provides technical assistance to the institutions in budgeting, accounting, and other management areas. The Reimbursement Control and Field Sections are responsible for billing and collecting for the state's reimbursement program. The Information and Systems Bureau is responsible for coordinating data processing projects within the department.

Current Level Adjustments

Personal Services - The number of FTE has declined from 36 to 34 as a result of a personnel transfer to the Director's Office during fiscal 1983. All other FTE have remained at current level.

Actual vacancy savings of 2 percent was realized in fiscal 1982 and is recommended for the 1985 biennium budget.

Operating Expenses - Operating expenses attributed to the personnel transfer were allocated to the Director's Office budget. The largest portion of these expenses are in travel and communications.

The division has exercised a purchase option on a xerox machine and CRT system. This has reduced rent costs but increased the repairs and maintenance contracts on these units, with a net decrease in expenses of \$1,605.

Contracted services includes \$35,000 in fiscal 1984 to provide funds for the central office's biennial audit. This is an increase of \$27,000 over fiscal 1982 expenditures.

Equipment - Two CRT's and control systems, seven calculators, and nine file cabinets were requested by the division. The CRT's have been left out and should be considered in the context of Issue 1. The file cabinets and calculators have been included for a total cost of \$3,479 in fiscal 1985.

Funding - In the 1985 biennium, the Department of Institutions will receive a federal block grant for the Alcohol and Drug Abuse (ADAD) and Mental Health and Residential Services programs. Ten percent of this grant may be used for administration costs.

This funding source did not increase between fiscal 1982 and fiscal 1983, and the division has assumed a 1 percent per year increase in the funds to fiscal 1985. Our analysis of this division does not make this assumption. Our budget analysis funds the program with general fund sufficient to support all of the activities supported with general fund in fiscal 1982. Federal spending authority is included that requires federal funds to increase with inflation also. In this way, general fund does not supplant federal funds. If the federal funds do not materialize, it is expected the program would be reduced to a level that can be supported with the available funding. If each division is line itemed on the appropriation bill, any excess federal authority that may occur (should federal funds not materialize) could not be transferred elsewhere within the department.

Issue 1: Long-range Data Processing

The division submitted a request for funding to develop and initiate a long-range data processing plan. The request is based upon a preliminary study done by the Computer Services Division of the Department of Administration. The goal of the plan is to recommend the optimal manpower and hardware combination to base budget requests upon and to specify necessary informational requirements.

According to the department, there are enough qualified people within the department to complete the study, and no additional FTE are requested. The biennium request is to obtain funding of \$79,373 for additional data processing equipment and \$110,700 for supplies and processing services.

Actual fiscal 1982 expenses for computer programming and data processing were \$88,409. This amount is retained in the base at current level.

OPTIONS

Option a: Fund the division's request for the internal development of a long-range data processing plan. The cost to the general fund would be \$81,740 in fiscal 1984 and \$108,333 in fiscal 1985. This includes \$56,300 in fiscal 1984 and \$54,400 in fiscal 1985 for data processing services and \$25,440 and \$53,933, respectively, for data processing equipment.

Option b: Do not fund the request. The division submitted a similar request to the 47th Legislature for \$83,974 in fiscal 1982 and \$83,705 for fiscal 1983 for increased data processing capabilities. That request was turned down, as it was determined that the cost to implement and maintain the programs exceeded the cost of the manual systems the division currently used.

CORRECTIONS DIVISION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	99.28	112.60	112.60	112.60	6.2
<u>Fund Source</u>					
General Fund Approp.	\$4,116,646	\$5,625,289	\$5,698,256	\$5,868,032	18.7
Other Funds Approp.	2,698	-0-	2,784	2,951	112.5
Funds Budget Amended	<u>89,224</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$4,208,568 =====	\$5,625,289 =====	\$5,701,040 =====	\$5,870,983 =====	17.6 =====
<u>Expenditures by Object</u>					
Personal Services	\$1,878,836	\$2,414,164	\$2,444,691	\$2,442,619	13.8
Operating Expenses	1,737,955	2,698,612	2,888,436	3,081,373	34.5
Equipment	<u>77,984</u>	<u>43,972</u>	<u>71,974</u>	<u>33,295</u>	<u>(13.6)</u>
Total Operating Costs	\$3,694,775	\$5,156,748	\$5,405,101	\$5,557,287	23.8
Non-Operating Expend.	<u>513,793</u>	<u>468,541</u>	<u>295,939</u>	<u>313,696</u>	<u>(37.9)</u>
Total Expenditures	\$4,208,568 =====	\$5,625,289 =====	\$5,701,040 =====	\$5,870,983 =====	17.6 =====

The Corrections Division includes services for juveniles such as aftercare and sheltercare, the men's pre-release "half-way" houses in Billings and Missoula, the Parole and Probation Program, and the Women's Correctional Program. Because the Women's Correctional Program has expanded so quickly in the past two bienniums, the department requests that the Women's Program now be isolated into its own budget unit. In addition, the department requests that medical expenses for the Juvenile Programs, the Women's Correctional Program, the Men's Prison, and Life Skills Facilities also be isolated into its own budget unit. Thus, in this analysis, the Corrections Division will be divided into three budgets: the Women's Correctional Program, Corrections Medical Expenses, and the remainder of the Corrections Division, which is Juvenile, Men's Pre-Release Center, and Parole and Probation.

PAROLE, PROBATION, MEN'S PRE-RELEASE AND JUVENILE PROGRAMS

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	96.00	91.50	91.50	91.50	(2.4)
<u>Fund Source</u>					
General Fund Approp.	\$3,188,662	\$4,195,330	\$4,303,269	\$4,411,213	18.0
Other Funds Approp.	2,698	-0-	2,784	2,951	112.5
Funds Budget Amended	89,224	-0-	-0-	-0-	(100.0)
Total Funds	\$3,280,584 =====	\$4,195,330 =====	\$4,306,053 =====	\$4,414,164 =====	16.6 =====
<u>Expenditures by Object</u>					
Personal Services	\$1,831,318	\$2,006,883	\$2,034,519	\$2,032,090	5.9
Operating Expenses	982,688	1,675,934	1,906,181	2,035,958	48.3
Equipment	46,349	43,972	69,414	32,420	12.7
Total Operating Costs	\$2,860,355	\$3,726,789	\$4,010,114	\$4,100,468	23.1
Non-Operating Expend.	420,229	468,541	295,939	313,696	(31.4)
Total Expenditures	\$3,280,584 =====	\$4,195,330 =====	\$4,306,053 =====	\$4,414,164 =====	16.6 =====

This portion of the Corrections Division includes parole and probation, juvenile facilities, and men's pre-release center.

Current Level Adjustments

Changes made to the current level expenditure base are presented below, by the respective line item.

Contracted Services - The contracted services base is increased by \$650,406. Two changes are responsible for a majority of this increase. Room and board expenses for two new half-way houses (not operating yet) are added for a total of \$550,967 (50 inmates @ approximately \$30.19 per day before inflation). The Billings pre-release facility, Alpha House, is budgeted to allow a 6 percent annual increase in its daily rate, and is budgeted for an additional four inmates over their fiscal 1982 contract. These changes account for an increase of \$44,077. Medical expenses totaling \$14,535 were deleted and now appear in the medical expenses budget. (Please refer to medical expenses budget for details.)

The other major change in contracted services is due to a transfer of \$154,202 for sheltercare and \$9,423 for the Individual Living Program to contracted services from the grants category where these expenses were incorrectly recorded in the past.

Supplies - The supplies base was increased a total of \$35,680. Of this increase, \$29,155 is for additional food for inmates in the pre-release facility in Missoula, \$3,710 is for the clothing allowance of the 50 inmates anticipated to be at the new pre-release centers and for the additional 16 inmates at the Missoula half-way house. An additional \$1,699 is included for gas for travel expenses of the new pre-release centers, and \$1,116 is included for linens for the Missoula facility's expanded population.

Communications - The communications base was increased \$80 for postage and \$300 for a beeper, as was approved during Special Session II.

Travel - Travel was increased by \$4,494 to allow for additional travel to the two new pre-release centers.

Utilities - Utilities were increased \$801 for increased water rates at the Missoula facility.

Equipment

The department's equipment request totals \$131,072 in fiscal 1984 and \$37,354 in fiscal 1985. This analysis does not include the entire department request, but does include the following items:

	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
1. Cars for Parole Officers (per replacement schedule)	9 @ \$7,528 = \$67,752	4 @ \$8,055 = \$32,220
2. Missoula Life Skills Facility		
Freezer	\$525	
Refrigerator	512	
Washer	355	
Dryer	270	
3. 2 Bunk Beds for Group Homes		200
Total	<u>\$69,414</u> =====	<u>\$32,420</u> =====

Grants - Sheltercare and independent living programs were moved from grants to contracted services. Funds remaining in grants are for district youth guidance homes.

Parole and Probation

This analysis maintains the Parole and Probation Program at current level which includes 33 FTE positions. The actual case load that these FTE handle varies with the amount of supervision required--maximum, medium, or minimum. In 1982, 2,528 cases were supervised with approximately 50 percent requiring maximum supervision, 23 percent requiring medium supervision, and 27 percent requiring minimum supervision. The department maintains that the parole and probation population remains fairly constant even though the prison population has increased. The funding for parole and probation is at current level.

Juvenile Facilities

These facilities include District Youth Guidance Homes (DYGH), Foster Care, Aftercare Group Homes, and other facilities such as the Florence Crittenton Home where special circumstances require the use of private facilities.

District Youth Guidance homes are private, nonprofit homes which provide care and supervision for youth in need of supervision or delinquents, as determined by the courts. This program is anticipated to remain at its current level, providing care for 28 youths.

Foster Care is a program in which a youth in need of care (as classified by the courts) is placed in a private home.

Aftercare group homes are family-type units which house up to eight youths with live-in "parents". Four of these houses are run by the department and are located in Great Falls, Helena, Billings, and Missoula. This analysis maintains funding at current level for these youth.

Sheltercare is also a type of group home which is run by a nonprofit corporation. The department contracts for short-term periods with the organization to care for youths in need of care for which the department has custody. These placements are usually in lieu of sending the youth to jail, because there is no other facility available. This program is maintained

at current level, but expenses were transferred to contracted services from grants where they had been incorrectly recorded in the past.

There are a few youths in special facilities designed for severely disturbed children, such as the Yellowstone Boys and Girls Ranch. This analysis maintains funding for seven youths (current level) to be placed in one of these special facilities. The anticipated level of youth in each type of facility is anticipated by the department to remain constant, as is shown in Table 1.

Table 1
Juvenile Populations
Fiscal 1982 - 1985

<u>Juvenile Facilities</u>	<u>1982 Actual</u>	<u>1983 Budgeted</u>	<u>1984 Budgeted</u>	<u>1985 Budgeted</u>
District Youth Guidance Homes	28	28	28	28
Foster Care	19	19	19	19
Group Homes	71	71	71	71
Other Facilities	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total	125 ===	125 ===	125 ===	125 ===

Mens Pre-Release Center

There are four men's pre-release centers. Missoula Life Skills Center is operated by the department. Alpha House and the two new pre-release centers are contracted to private organizations. The 1982 actual and 1983, 1984, and 1985 budgeted populations are shown below in Table 2. The 1983 budgeted column reflects the budget after Special Session II; thus, it appears there is no increase in population between fiscal 1983 and fiscal 1984.

Table 2
Men's Pre-Release Populations
Fiscal 1982 - 1985

<u>Men's Pre-Release Facilities</u>	<u>Actual FY '82</u>	<u>Budgeted FY '83</u>	<u>Budgeted FY '84</u>	<u>Budgeted FY '85</u>
Missoula Life Skills Center	8.5	24	24	24
Alpha House (Billings)	11.8	25	25	25
New Pre-Release Units	<u>0</u>	<u>50</u>	<u>50</u>	<u>50</u>
Total	20.3	99	99	99
	=====	==	==	==
<u>Cost Per Day</u>				
Alpha House	\$26.50	\$32.15	\$34.00	\$36.00
New Pre-Release Units	NA	NA	34.00	36.00

Operating expenses have been increased to accommodate 16 additional pre-release inmates at the Missoula center and 50 new inmates at two centers yet to be established.

Alpha House and the new pre-release centers are budgeted at a cost of \$32 per day for fiscal 1983. This cost is increased to \$34 per day in fiscal 1984 and \$36 per day in fiscal 1985. Experience at Alpha House has shown that the inmate contribution should average slightly above \$3 per day in addition to the state contract. The \$32 was used as a base because of actions taken during Special Session II.

Cost per day has been increasing rapidly at Alpha House. When Alpha House started in fiscal 1981, the cost was to be \$22.50 per day. After the 1981 Legislature adjourned, the department renegotiated retroactively to \$27.50 per day. The \$27.50 per day was higher than the appropriation of \$24.50 for fiscal 1982 and \$26.49 for fiscal 1983. Due to having less population than their contract stated, the cost per person was figured by Alpha House to be slightly over \$32 per day during Special Session II.

As there was not a great amount of attention focused on this issue in Special Session II, it is unclear if there is a basis for believing the cost per day readjustment was agreed upon by the legislature.

WOMEN'S CORRECTIONAL PROGRAM

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	3.28	21.10	21.10	21.10	73.0
<u>Fund Source</u>					
General Fund Approp.	<u>\$372,986</u>	<u>\$753,357</u>	<u>\$691,071</u>	<u>\$710,668</u>	<u>24.4</u>
Total Funds	<u>\$372,986</u> =====	<u>\$753,357</u> =====	<u>\$691,071</u> =====	<u>\$710,668</u> =====	<u>24.4</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$ 47,518	\$407,281	\$410,172	\$410,529	80.4
Operating Expenses	200,269	346,076	278,339	299,264	5.7
Equipment	<u>31,635</u>	<u>-0-</u>	<u>2,560</u>	<u>875</u>	<u>(89.1)</u>
Total Operating Costs	\$279,422	\$753,357	\$691,071	\$710,668	35.7
Non-Operating Expend.	<u>93,564</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$372,986</u> =====	<u>\$753,357</u> =====	<u>\$691,071</u> =====	<u>\$710,668</u> =====	<u>24.4</u> =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. 2.35 Correctional Officers				
Option a.	\$13,494	\$ -0-	\$13,402	\$ -0-
Option b.	39,638	-0-	39,368	-0-
2. Reimbursement to State	Not Available	\$ -0-	Not Available	\$ -0-

The 1985 biennium's budget for the Women's Correctional Program reflects the combination of three programs--the Women's Correctional Facility at Warm Springs, the Billings Life Skills Pre-release Center, and women housed in miscellaneous jails. The department has requested that the expenses attributed to women offenders be separated from the male offenders by consolidation into this program. Table 1 depicts the actual and projected average daily population of inmates (ADP) and the cost per inmate per day (CID) at each of the units.

Table 1
Average Total Cost Per Inmate Day for Women's Programs

-----Place of Incarceration-----							
<u>Fiscal Year</u>	<u>Out-of-state Jails</u>		<u>Billings Life Skills Center</u>		<u>Women's Facility At Warm Springs</u>		<u>Total</u>
	<u>ADP</u>	<u>CID</u>	<u>ADP</u>	<u>CID</u>	<u>ADP</u>	<u>CID</u>	<u>ADP</u>
Actual 1982	9	\$36.61	10.19	\$46.37	11.77	\$120.50	30.96
Appropriated 1983 (Special Session I)	2	\$58.54	10.00	\$45.72	20.00	\$ 54.80	32.00
Projected 1984	2	\$55.40	12.00	\$49.76	30.00	\$ 42.05	44.00
Projected 1985	2	\$58.73	12.00	\$52.75	30.00	\$ 44.57	44.00
ADP - Average Daily Population CID - Cost/Inmate/Day							

No vacancy savings factor is recommended. While employee turnover is expected in the program, all but two positions (the Billings halfway-house director and the Warm Springs correctional facility manager) need to be filled continuously. Thus, no vacancy savings is expected to be generated.

Women's Correctional Facility

The Women's Correctional Facility at Warm Springs was authorized in fiscal 1982 and began operations in April, 1982. Because fiscal 1982 does not reflect a full year of operations, the development of the 1982 base for the facility was the result of either prorating the costs incurred in the final months of 1982 to represent an entire year's expenses or the discounting of the amount appropriated to the facility for fiscal 1983 to represent costs in 1982 dollars.

The cost per inmate day of \$120.50 in fiscal 1982 was extremely high compared to the \$54.80 that is budgeted for fiscal 1983 and the projected costs of \$42.05 in fiscal 1984 and \$44.57 in fiscal 1985. A large part of

this decrease is attributed to the high costs associated with starting a new program. Another factor is that the average daily population was only 11.77 in fiscal 1982 compared to the budgeted capacity of 20. The decline in the cost per day between fiscal 1983 and fiscal 1984 is attributed to the realization of economies of scale. The average cost per inmate is less when the fixed costs of the facility are distributed among 30 inmates in fiscal 1984 compared to the 20 inmates in fiscal 1983.

Included in the correctional facilities budget is \$21,900 for board and room in miscellaneous jails. This is to provide funding for city/county jail space that is needed during the interim between a woman's sentencing and her incarceration at the Warm Springs facility. It is suggested that this appropriation be line-itemed to insure these funds are expended for this purpose. The cost for miscellaneous in-state jails was calculated at \$30 per day.

Medical expenses have been transferred to a single program in the Corrections Division. This has reduced the 1982 base by \$23,977, and is reflected in the Medical Expense Program (see medical expense write-up).

Separation allowances were calculated to be \$90 per inmate in fiscal 1984 and \$95 per inmate in fiscal 1985. The allowance is paid upon release from the Warm Springs correctional facility. It is not paid upon release from the Billings center, as one condition for release is that the woman has obtained a job. The average length of stay at the Warm Springs facility is one year. The separation allowance cost will be \$2,700 in fiscal 1984 and \$2,850 in fiscal 1985. Separation allowances were not included in the cost per inmate day in Table 1.

Billings Pre-release Center

The Billings Pre-release Life Skills Center's base was calculated from current level 1982 expenditures. Two changes at the center have increased the current level base. The average daily population in fiscal 1982 was 10.19 women and is expected to average 12 women in fiscal years 1984 and 1985. This has increased the base for such expenses as food and paper products. Secondly, the function of the center has changed from a post-release center to a pre-release center. As a post-release life skills center, women offenders were housed at the center to aid their

integration into the community. Jobs were not required for release and reporting was minimal. As a pre-release center, the women have not yet been granted parole. One condition that needs to be met prior to their release is the women must obtain a job. Consequently, an increase in long distance telephone calls and an increase in newspaper subscriptions have been included to aid in the job searches. No separation allowance is paid to the women upon their release from the center.

The number of status reports required by the department for women in the pre-release center have also been increased over current level. This has increased the base for postage and mailing costs. The transportation base has been increased to allow for more trips between Billings and the women's correctional facility at Warm Springs. The total increase in the actual fiscal 1982 expenditure base is \$1,323, or 3.3 percent.

Out-of-State Jails

The major expense incurred by keeping women in out-of-state institutions is board and room. Women who must be placed in out-of-state jails include convicted felons, maximum security risks, and those held for protective custody.

The current level funding for board and room has been reduced by \$76,591 to \$34,310 as the majority of the population of women in out-of-state institutions have been transferred back to Montana. In fiscal 1982, nine women were housed in out-of-state institutions. Two women are budgeted to be held in out-of-state jails through fiscal 1985. Table 2 depicts the population and room and board cost per day which is paid to other states. The overall cost per day is more, however, as travel and clothing expenses are incurred. This explains the decrease in cost per inmate day between fiscal 1983 and fiscal 1984 in Table 1, while the room and board costs in Table 2 increase with inflation.

Table 2
Out-of-State Room and Board Cost Per Day

<u>Fiscal Year</u>	-----State of Incarceration-----								<u>Total</u>
	<u>California</u>		<u>Nebraska</u>		<u>Nevada</u>		<u>W. Virg.</u>		
	<u>ADP</u>	<u>CID</u>	<u>ADP</u>	<u>CID</u>	<u>ADP</u>	<u>CID</u>	<u>ADP</u>	<u>CID</u>	<u>ADP</u>
Actual 1982	1	\$47.00	1	\$25.00	6	\$32.00	1	\$47.00	9
Appropriated 1983	1	\$49.82	0	NA	0	NA	1	\$49.82	2
Projected 1984	1	\$52.81	0	NA	0	NA	1	\$52.81	2
Projected 1985	1	\$55.98	0	NA	0	NA	1	\$55.98	2
NA = Not Applicable									

As the above table depicts, Nebraska and Nevada will no longer be utilized to house Montana's female offenders. This is attributed to overcrowding at the facilities (they will no longer accept Montana inmates) and the existence of an alternative correctional facility at Warm Springs.

The main reason for the CID increase in fiscal 1983 is that the two states Montana is contracting with are the most expensive of the states used during fiscal 1982.

Issue 1: Modified Request for Additional Correctional Officers

The department has submitted a modified request to increase the number of correctional officers (security guards) at the Womens Correctional Facility by 2.35 FTE. Currently there are six security posts, with 8.5 FTE to fill the posts seven days a week.

The modified request may be broken down into two components. The first is the addition of one seven day post. The second component is to increase the relief factor from 1.417 to 1.55. Table 3 depicts the current and requested staffing levels.

TABLE 3
Correctional Officer Staffing Level

	<u>Current</u>	<u>Requested</u>	<u>FTE Change</u>
Posts	6.0	7.0	
Relief Factor	<u>1.417</u>	<u>1.55</u>	
Total FTE	8.5	10.85	2.35

The legislature has three options.

OPTIONS

Option a: Keep the number of posts the same as current level but increase the relief factor to 1.55. This would increase the FTE by .80 and increase general fund expenditures by \$13,494 in fiscal 1984 and \$13,402 in fiscal 1985.

Option b: Increase the number of security posts to seven and the relief factor to 1.55. This would increase the FTE by 2.35 and increase expenses by \$39,638 in fiscal 1984 and \$39,368 in fiscal 1985

Option c: Keep the staffing at current level. This option is indicated in our analysis.

Issue 2: Inmate Reimbursement to State

Section 53-1-409(4), MCA, states that "No resident or financially responsible person is financially liable for care provided to a resident under any provision of a criminal statute." (Emphasis added).

The department is currently able to collect per diem and ancillary payments from the residents of Warm Springs State Hospital, Boulder River School and Hospital, Galen State Hospital, Montana Veterans' Home, the Montana Center for the Aged, and Eastmont Training Center as delineated in the Section 53-1-402, MCA.

The legislature may wish to assess the financial status of the women with respect to their ability to reimburse the state the expenses related to their keep. The Legislative Council has stated the constitutionality of such a provision has been established through the enactment of similar provisions in other states.

OPTIONS

Option a: Amend the statutes to establish the legality of charging financially capable inmates a portion or all of the expenses related to their keep. No fiscal impact of this option is available as no study has been done to determine the financial capabilities of institutionalized women.

Option b: Retain the current language in the statutes. Incarcerated women will not be financially responsible for the expenses related to their being housed by the state. There will be no effect upon the funding requirements of the Women's Correctional Program.

MEDICAL EXPENSES

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	0.00	0.00	0.00	0.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$554,998	\$676,602	\$703,916	\$746,151	17.7
Total Funds	\$554,998 =====	\$676,602 =====	\$703,916 =====	\$746,151 =====	17.7 =====
<u>Expenditures by Object</u>					
Operating Expenses	\$554,998	\$676,602	\$703,916	\$746,151	17.7
Total Operating Costs	\$554,998 =====	\$676,602 =====	\$703,916 =====	\$746,151 =====	17.7 =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Medical Services	\$41,133	\$ -0-	\$43,601	\$ -0-

The department requests that all correction programs have selected medical costs isolated into one program. This program will include selected medical costs from Swan River, the Prison, the Women's Correctional Program, Pre-release Centers, parole violators being held for revocation hearings, and the Aftercare Program.

Table 1 shows what was spent per person in fiscal 1982 by each correction program for the selected medical expenses and what the department requests per person before inflation is applied.

Table 1
Comparison of Actual 1982 Medical Costs per Person
Prison and Department Requested Cost per Person

	Prison		Swan		Women		Corrections	
	<u>Actual</u>	<u>Req.</u>	<u>Actual</u>	<u>Req.</u>	<u>Actual</u>	<u>Req.</u>	<u>Actual</u>	<u>Req.</u>
Lab Tests	\$ 0.14	\$ 0.13	\$ -0-	\$ -0-	\$ 16	\$ 32	\$ 1	\$ 15
Med. Services	570	535	147	150	903	1,308	218	503
Optometry	25	23	29	30	12	90	2	16
Dentistry	47	44	62	63	119	309	3	43
Hosp. Security	<u>67</u>	<u>63</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>143</u>	<u>-0-</u>	<u>-0-</u>
	\$709.14	\$665.13	\$238	\$243	\$1,050	\$1,882	\$224	\$577

In general, it can be seen in Table 2 that the department requests approximately the same (or slightly less) funding per person for all programs except the Women's Program and the Corrections Division. The department requests the Women's Program medical base be increased from \$1,050 to \$1,882 or approximately \$832 per woman for each year. The Corrections Division request is to increase medical costs from \$224 to \$577 per person. As can be seen in Table 2, a majority of costs are expected in medical services, but the largest increase per person is expected in optometry expenses.

The current level budget maintains the medical expenses at the fiscal 1982 service level per person. The cost per person displayed in Table 2 was used to calculate the amount necessary to fund the same level of services in fiscal 1984 and fiscal 1985 for the anticipated increase in corrections' population.

If the service level per person were increased per the department's request, it would cost \$736,377 in fiscal 1984 and \$780,560 in fiscal 1985. This is a biennium increase of \$84,734 over current level.

OPTIONS

Option a: Fund the increased medical costs as requested by the department, an increase above current level services of \$41,133 in fiscal 1984 and \$43,601 in fiscal 1985.

Option b: Maintain current level medical services per person. These costs are reflected in the current level budget.

MENTAL HEALTH AND RESIDENTIAL SERVICE/ADMINISTRATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	9.50	9.50	5.00	5.00	(47.3)
<u>Fund Source</u>					
General Fund Approp.	\$284,393	\$239,014	\$221,367	\$224,879	(14.7)
Other Funds Approp.	<u>223,729</u>	<u>267,649</u>	<u>50,000</u>	<u>-0-</u>	<u>(89.9)</u>
Total Funds	\$508,122 =====	\$506,663 =====	\$271,367 =====	\$224,879 =====	(51.1) =====
<u>Expenditures by Object</u>					
Personal Services	\$281,884	\$350,692	\$168,917	\$168,953	(46.5)
Operating Expenses	225,780	155,760	55,488	55,926	(70.8)
Equipment	<u>458</u>	<u>211</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$508,122	\$506,663	\$224,405	\$224,879	(55.7)
Non-Operating Expend.	<u>-0-</u>	<u>-0-</u>	<u>46,962</u>	<u>-0-</u>	<u>100.0</u>
Total Expenditures	\$508,122 =====	\$506,663 =====	\$271,367 =====	\$224,879 =====	(51.1) =====

This program oversees the Community Mental Health Care centers' operations. Their function is to specify the state and federally mandated services that the centers provide, monitor contract compliance and reporting, and administer the disbursement of Medicaid, block grant, and general fund to the regions.

The administration's budget was previously recorded together with the Community Mental Health Care centers' budget. These have been separated to facilitate the differentiation between the cost of administration and the cost of the Community Mental Health Care centers.

Current Level Adjustments

Personal services - The reduction of 4.5 FTE has occurred as the federally funded Community Support Program and Manpower Program have been discontinued. The 47th Legislature specified that general fund may not be used to support these programs.

The remaining five FTE have been included at current level. When adjusted for the deletion of the federally supported positions, the program realized an actual vacancy savings of 2.25 percent. A 2.3 percent vacancy savings factor is recommended to be applied during the 1985 biennium.

Operating Expenses - All operating expenses attributed to the Community Support Program and the Manpower Program have been removed from the 1982 base with the exception of building rent. Since the Mental Health and Residential Services Division still occupies the same amount of building space, even with the deletion of the 4.5 FTE, the rent charge has been maintained at current level. The total reduction in current level due to discontinuation of the federal programs is \$219,606.

Contracted services have been reduced by an additional \$27,000. These funds were for the provision of the room and board for emotionally disturbed children. These expenses have been transferred to the Community Mental Health Care centers' budget to more accurately reflect the cost of child care.

Funding - The current level MH&RS administration costs are funded entirely with general funds. The \$50,000 of other funds in fiscal 1984 are carryover funds from the Manpower Program.

COMMUNITY MENTAL HEALTH CENTERS

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	0.00	0.00	0.00	0.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$3,680,648	\$4,147,272	\$4,108,946	\$4,369,781	8.3
Other Funds Approp.	190,876	121,819	2,697,123	2,844,654	1,672.3
Funds Budget Amended	<u>-0-</u>	<u>2,096,418</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$3,871,524</u>	<u>\$6,365,509</u>	<u>\$6,806,069</u>	<u>\$7,214,435</u>	<u>37.0</u>
	=====	=====	=====	=====	=====
<u>Expenditures by Object</u>					
Non-Operating Expend.	<u>\$3,871,524</u>	<u>\$6,365,509</u>	<u>\$6,806,069</u>	<u>\$7,214,435</u>	<u>37.0</u>
Total Operating Costs	<u>\$3,871,524</u>	<u>\$6,365,509</u>	<u>\$6,806,069</u>	<u>\$7,214,435</u>	<u>37.0</u>
	=====	=====	=====	=====	=====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Level of General Funds				
Option a.	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Option b.	(506,582)	-0-	(553,261)	-0-
Option c.	(142,740)	-0-	(169,004)	-0-

The Community Mental Health Care centers are private, nonprofit organizations that provide mental health care by contract through the Department of Institutions. The Community Mental Health Care centers' budget was previously combined with the Mental Health and Residential Services Administration's budget under Mental Health and Residential Services. The centers' and the administration's budgets have been divided into two separate programs to facilitate the allocation of costs between the different programs.

Current Level Adjustments

Contracted services of \$27,000 have been added to the CMHC centers' Program and deleted from the Administration Program. This amount reflects services for room and board for emotionally disturbed children. This change was made because these services reflect treatment costs rather than administration costs.

Medicaid appears as a budget amended fund source in fiscal 1983 and as appropriated other funds in fiscal 1984 and 1985. In the past, medicaid funds for mental health care were paid directly to the CMHC centers by the Department of SRS. Now the medicaid funds pass from SRS to the Department of Institutions who, in turn, allocates the money to the individual centers.

Background

The Department of Institutions has defined and currently contracts for the provision of ten basic mental health services. These are: inpatient I, emergency, transitional I, transitional II, partial care, outpatient-individual, outpatient-group, community living support, prevention, and children's services. Medicaid provides funding for four of these: emergency, partial care, and both classes of outpatient treatment. The block grant and general fund support the remaining services.

The Functional Assessment Scale (FAS) is a measurement tool which considers four areas in determining a person's mental health status. These include personal self-care, social, vocational/educational, and emotional symptom/stress tolerance functioning. Definitions of the levels are sufficiently broad to allow the clinician some discretion in classifying an individual at a particular level.

The state and medicaid only purchase services from the centers if the individual is classified at a level of 6 or lower on the Functional Assessment Scale (FAS); is hospitalized or within 90 days of being hospitalized for mental health reasons; is court ordered to receive the services; or is 17 years old or younger.

The state's contract with the Community Mental Health Care centers provides for the purchase of a maximum number of service units in each category. This level was determined to be the same as the level experienced in fiscal 1981 and 1982 as shown in Table 1.

Table 1
Level of State Contracted Community Mental Health Services

Service Category	# of Units	----Fiscal 1983---		---Fiscal 1984---		---Fiscal 1985---	
		Unit Cost	Total Cost	Unit Cost	Total Cost	Unit Cost	Total Cost
In-patient I	6,262.2	\$58.69	\$ 367,529	\$62.21	\$ 389,580	\$65.94	\$ 412,955
Emergency	5,308.3	43.79	232,450	46.42	246,397	49.20	261,181
Transitional I	20,443.3	26.55	542,770	28.14	575,336	29.83	609,856
Transitional II	15,753.0	3.64	57,341	3.86	60,781	4.09	64,428
Partial Care	209,522.3	7.57	1,586,084	8.02	1,681,249	8.51	1,782,124
Outpatient-Ind.	57,430.0	48.56	2,788,801	51.47	2,956,129	54.56	3,133,497
Outpatient-Group	17,968.1	24.92	447,765	26.42	474,631	28.01	503,109
Community Liv. Support	20,871.0	7.67	160,081	8.13	169,685	8.62	179,867
Prevention	1,485.9	40.38	60,001	42.80	63,601	45.37	67,417
Children's Serv. ¹	---	---	151,000	---	188,680	---	200,001
			\$6,393,822		\$6,806,069		\$7,214,435
			=====		=====		=====

¹The \$27,000 transfer from administration is shown in fiscal 1984 and 1985.

Funding Sources for the CMHC Centers

There are six funding sources considered for the mental health centers: fees, mill levy, miscellaneous, federal, medicaid, and general fund. Table 2 shows the amount of revenue anticipated for fiscal 1983, 1984, and 1985 in comparison to the projected expenditure for current level services. Center revenues are increasing slower than expenditures. Current state level expenditures can be maintained with a 6 percent yearly increase in general fund due to carryover block grant funds. However, this trend cannot continue into the 1987 biennium as the fund balance will be minimal at the end of the biennium. Total expenditures cannot increase 6 percent for inflation as the department projects the centers revenue to decline.

Table 2
Funding Sources for Community Mental Health Centers

	Available 1983	% Change	Projected 1984	% Change	Projected 1985
<u>Center Revenue</u>					
Service Revenue	\$1,338,548	6.5	\$1,425,270	6.6	\$1,518,879
County Revenue	659,360	1.2	667,270	1.2	675,570
Other Revenue	<u>414,641</u>	<u>(52.4)</u>	<u>197,441</u>	<u>0.0</u>	<u>197,529</u>
Subtotal	\$2,412,549	(5.1)	\$2,289,981	4.5	\$2,391,978
<u>Public Revenue</u>					
Block Grant Carry-over	\$ 124,651	108.7	\$ 260,099	15.0	\$ 299,142
Block Grant	864,206	4.5	903,095	6.0	957,282
Medicaid-Federal	927,142	2.7	952,110	3.5	985,800
General Fund	<u>4,425,250</u>	<u>6.0</u>	<u>4,690,765</u>	<u>6.0</u>	<u>4,972,211</u>
Subtotal	\$6,341,249	7.3	\$6,806,069	6.0	\$7,214,435
Total Funds	\$8,753,798	3.9	\$9,096,050	5.6	\$9,606,413
Total Budget	<u>8,753,798</u>	<u>6.0</u>	<u>9,279,026</u>	<u>6.0</u>	<u>9,835,767</u>
Budget Over Funds	\$ -0- =====		\$ 182,976 =====		\$ 229,354 =====
General Fund Percent of Funds	50.6		51.6		51.8
General Fund Percent of Budget	50.6		50.6		50.6

Service Revenue - The centers currently charge patients a fee for the service. In the past, the fee was based upon individual's willingness to pay. This practice has been gradually shifting to an assessment based upon the patient's ability to pay. The service fees are projected by the department to increase about 6.5 percent each year.

County Revenue - The counties have the statutory authority to levy up to one mill on property assessments to finance Community Mental Health Care centers. There is currently a lack of uniformity among the counties with respect to their level of participation. In fiscal 1982, only ten counties supported the CMHC centers with a mill levy. The levies ranged from

0.16 to 1.00 mill. Other counties assess a tax on the basis of population. Some counties combine the two approaches and assess a mill levy and a per capita tax. Carter, Choteau, Gallatin, and Powell counties do not participate and do not receive services from the CMHC centers.

If all counties were to assess the full mill levy for mental health services, approximately \$2,163,000 would be available in fiscal 1984 and \$2,310,000 in fiscal 1985. If all counties except those not currently participating were to assess the full mill, these revenues would amount to \$2,049,697 in fiscal 1984 and \$2,194,431 in fiscal 1985. The centers project that the actual level of county participation will be \$667,270 and \$675,570 in fiscal years 1984 and 1985 respectively, which represents approximately .33 mills against the total state assessment of participation counties. Thus, in general, counties are assessing one-third the amount they are able to under current law. The department's projected county participation is an increase of 1.2 percent each year.

Other Center Funds - Other sources of funds include interest income, rent income, memorials, contracted income, bad debts recovery, co-op, coal board, and cash reserves. Other funds available are projected by the department to decline 52.4 percent from fiscal 1983 to fiscal 1984. This decline has been attributed to the utilization of the cash reserves the centers currently possess.

Block Grants - The Omnibus and Reconciliation Act of 1981 established a block grant to replace the categorical grants that had been awarded to the states prior to fiscal 1982.

The fiscal 1982 block grant was received late in fiscal 1982, and only 2.4 percent of the grant was expended in state fiscal 1982. This allowed a substantial carryover to state fiscal 1983.

In HB 2, it was stated that expenditures of the federal block grant appropriations shall not exceed 75 percent of the block grant in fiscal 1983, and 25 percent of the block grant must be carried forward to the next fiscal year because of the difference between the state and federal fiscal years. Our analysis assumes this funding split will continue through the coming biennium.

Section 1914 (11) of the Omnibus Reconciliation Act states that:

"The federal funds made available under Section 1903 for any period will be so used as to supplement and increase the level of state, local, and other nonfederal funds that would in the absence of such federal funds be made available for the programs and activities for which funds are provided under the section and will in no event supplant such state, local, and other nonfederal funds."

This clause requires that the total of all funding sources, net of the block grant, be maintained at the level the state would support without considering any extra block grant funds.

Medicaid - The level of medicaid funding available to the Community Mental Health Care centers has substantially increased from the fiscal 1982 level of approximately \$679,000 to \$1,205,120 as budget amended in fiscal 1983 and \$1,533,929 and \$1,588,230 as projected by the department for fiscal years 1984 and 1985. Despite this increase in medicaid the department stated that the level of services has not changed.

Through fiscal 1982, medicaid was passed directly to the CMHC centers from SRS. Until this time, medicaid reimbursement to the centers was at a rate of approximately 60 percent of the total cost of the services incurred by a Medicaid eligible recipient of mental health services.

Currently, medicaid funding passes from the Department of SRS to the Department of Institutions before being passed onto the CMHC centers. The eligibility for medicaid support has also changed. Now the recipient of mental health services must be medicaid eligible and be diagnosed as a level of 6 or lower on the Functional Assessment Scale. If the individual qualifies under these two criteria, medicaid will pay 100 percent of the cost of the services.

The level of medicaid support is projected to increase 133.9 percent from fiscal 1982 and 1985. It appears that the reason for the increase in the level of medicaid support is due to a departmental assumption that all medicaid eligible clients actually served in fiscal 1982 were at FAS level of 6 or lower. The department has not submitted data to back up this assumption, and its validity is not able to be verified.

State General Funds - It is explicitly provided in Section 53-21-203, MCA, that state funds specifically appropriated for regional mental health service contracts shall not exceed 50 percent of the total community Mental

Health Care centers' expenditures. For the past two bienniums, the legislature has funded the CMHC centers with general fund at 46 percent of the total cost incurred by the centers. It is unclear if the amount of general fund used to match federal Medicaid dollars had been considered in the general fund participation in the provision of mental health services. Current level is based upon the assumption that the general fund portion of the medicaid funding available to the CMHC centers should be considered in determining an accurate percentage of general fund support.

Areas of Concern

1. The CMHC centers are spending money at a faster rate than it is coming in. Thus, the current level of services will not be able to be supported in the 1987 biennium unless public funds or center revenue is increased at a rate greater than inflation. How will this affect the service level in the 1987 biennium?

2. General fund is currently over the maximum allowable limit. When the amount of general fund appropriated for the CMHC centers is combined with the general fund portion of the medicaid match, the general fund input is 50.6 percent of the total projected expenditures for Mental Health Services Division in fiscal 1983. If expenditures and revenues materialize the way the department has projected in fiscal 1983, this will be in violation of state law.

3. Medicaid has increased by over 130 percent of the actual 1982 level. In fiscal 1982, when medicaid reimbursed the centers at a rate of 60 percent of the total cost, the total medicaid disbursement was approximately \$679,000. If this is prorated to 100 percent of the total cost, medicaid would have provided approximately \$1,131,000 for services to medicaid eligible patients, regardless of their placement on the FAS. The fiscal 1983 medicaid projection is \$1.4 million and the department has stated that the level of services is expected to remain constant. Thus, it appears that the medicaid costs are highly inflated, as the amount projected to be received by the department is in excess of the total costs in fiscal 1982 while the eligibility criteria for medicaid has been narrowed. Other medicaid providers are reimbursed at approximately 60 percent of the cost of services rather than the 100 percent determined by the administration for fiscal 1983 and forward. Should the CMHC centers be treated differently?

4. Under current revenue trends there may be a deficit of cash in the 1985 biennium if three assumptions do not occur: (1) the level of general fund is reduced to the maximum legal amount (see Issue 1), (2) the projected inflationary increase in block grant funds does not materialize, and (3) the medicaid reimbursement rate for CMHC is not raised from 60 percent to 100 percent which would be disproportional reimbursement in comparison to other medicaid providers. Under current revenue trends the CMHC centers will probably experience a deficit situation in the 1987 biennium. Should revenues from other sources be increased?

Issue 1: Level of General Funding

As previously pointed out, Section 53-21-203 (21), MCA, states that no more than 50 percent of total revenue for the CMHC center may be made up of state funds specifically appropriated for regional mental health service contracts. Also, it has been established for the past two bienniums that the general fund input to the CMHC centers should not exceed 46 percent of total revenues. It is not clear if the general fund match for the medicaid support or any medicaid funds were considered in the past.

Three options are available to the legislature. A summary of these options is included in Table 3 which shows the general fund options for MCHC in comparison to revenues.

Table 3
Comparison of General Fund to Total Revenues in MCHC

<u>Current Level</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
General Fund-Medicaid Match	\$ 581,819	\$ 602,430
Other General Fund	<u>4,108,946</u>	<u>4,369,781</u>
Total General Fund	\$4,690,765 =====	\$4,972,211 =====
Total Revenues	\$9,096,050 =====	\$9,606,413 =====
General Fund		
46 Percent	\$4,184,183	\$4,418,950
50 Percent	4,548,025	4,803,207
Current Level	4,690,765	4,972,211

OPTIONS

Option a: Decrease the general fund to the 46 percent of total revenue as has been established during the previous two bienniums. The CMHC centers will either have to cut back services or increase other sources of revenue such as county support or client payments. Because the state contracts for a specific level of service units, the service reduction must come from service areas that are not state supported. There will be a decrease in general fund requirements of \$506,582 in fiscal 1984 and \$553,261 in fiscal 1985.

Option b: Reduce total general fund input to the level of 50 percent of total funding as required by Montana statute. The CMHC centers will either have to cut back services or increase other sources of revenue such as county support or client payments. Because the state contracts for a specific level of service units, the service reduction must come from service areas that are not state supported. There will be a decrease in the general fund requirement of \$142,740 in fiscal 1984 and \$169,004 in fiscal 1985.

Option c: Keep general fund at current level and increase by the inflationary increase of 6 percent per year. This option is included in the analysis. State law will have to be amended because the state funds specifically appropriated for regional mental health service contracts will exceed 50 percent.

ALCOHOL AND DRUG ABUSE DIVISION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	23.00	23.00	10.00	10.00	(56.5)
<u>Fund Source</u>					
General Fund Approp.	\$ 180,773	\$ 204,235	\$ 208,674	\$ 209,737	8.7
Other Funds Approp.	\$1,507,271	1,648,481	3,505,835	3,708,387	128.6
Funds Budget Amended	<u>1,545,422</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$3,233,466</u>	<u>\$1,852,716</u>	<u>\$3,714,509</u>	<u>\$3,918,124</u>	<u>50.1</u>

Expenditures by Object

Personal Services	\$ 543,298	\$ 610,739	\$ 282,492	\$ 282,188	(51.1)
Operating Expenses	173,239	187,453	106,633	113,682	(38.9)
Equipment	<u>533</u>	<u>-0-</u>	<u>2,500</u>	<u>-0-</u>	<u>369.0</u>
Total Operating Costs	\$ 717,070	\$ 798,192	\$ 391,625	\$ 395,870	(48.0)
Non-Operating Expend.	<u>2,516,396</u>	<u>1,054,524</u>	<u>3,322,884</u>	<u>3,522,254</u>	<u>91.7</u>
Total Expenditures	<u>\$3,233,466</u>	<u>\$1,852,716</u>	<u>\$3,714,509</u>	<u>\$3,918,124</u>	<u>50.1</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Use of Alcohol Funds for Mountain View	\$ -0-	\$8,400	\$ -0-	\$8,904
2. ADAD Discretionary Grants vs. County Pass-through	Transfer only - no savings			
3. Possible Transfer to Other Block Grants in Other Departments	\$(129,193)	\$ -0-	\$(137,012)	\$ -0-

This program is designed to address the needs of people who abuse alcohol and other drugs. A vast majority of the funds are contracted to private nonprofit programs or to county programs. In the past, this division was funded with a myriad of categorical grants. In addition,

general fund supported 32 percent of the drug program. Now, this division receives 50.39 percent of the alcohol, drug abuse, and mental health block grant. General fund continues to support a portion of the drug program.

Current Level Adjustments

This analysis maintains the Drug Abuse and Alcohol Abuse Programs (separate programs) at the level actually experienced in fiscal 1982. There were several changes in the current level spending base, because the department has requested to contract for drug abuse clinic services rather than provide the services through state clinics with state-supported personnel. This change reduces the base slightly and results in a reduction of nine FTE. Operating expenses were also reduced to reflect this change.

The alcohol program included a reduction of 4 FTE, as requested by the department. Nonoperating expenses (grants) were increased \$1,918,068 in fiscal 1984 and \$2,033,152 in fiscal 1984 to allow for appropriation of alcohol earmarked funds for discretionary or pass through grants. Previously, the pass through grants were not appropriated. However, under the new fund structure, these funds must now be appropriated.

Vacancy Savings

This unit experienced vacancy savings of approximately 2.7 percent during 1982. Because two units have been combined and 13 FTE deleted, no vacancy savings is recommended the 1985 biennium.

Alcohol Earmarked Fund

Earmarked alcohol funding is also maintained at current level, increasing only for inflation. The current level budget includes funding from the alcohol earmarked account for the programs shown below.

Table 1
Anticipated Expenditures From Alcohol Earmarked Funds

<u>Department/Program</u>	<u>FY '84</u>	<u>FY '85</u>
Dept. of Justice/Crime Lab.	\$ 90,276	\$ 95,692
Dept. of Institutions		
Galen	1,385,500	1,427,000
Institutional Counselors	74,887	74,887
Alcohol and Drug Abuse:		
Administration	310,114	333,570
Discretionary Funds	562,881	605,272
Pass-thru to Counties--Current Level	<u>1,918,068</u>	<u>2,033,152</u>
Total Proposed Expenditures	\$4,341,726	\$4,569,573
Anticipated Revenues	<u>\$4,440,245</u>	<u>\$4,507,710</u>
Anticipated Fund Balance at FYE	\$ 98,519	\$ 61,863

As some programs may need pay plan funds, virtually all alcohol earmarked funds are proposed to be spent by the end of the biennium.

Block Grant

As mentioned earlier, this program is now funded with a block grant. Under the block grant, more funds are actually available on a one-time basis than in the past, due to "double-funding" received in fiscal 1982 as the categoricals and the block grant were both received for the same time period.

Even though these one-time federal funds are available, the block grant language stipulates that federal dollars must not supplant state funds. Therefore, a 32 percent general fund match is continued in the drug program as has been done for the past four years. However, general fund actually decreases from fiscal 1983 to fiscal 1984 because the amount available from the block grant for drug abuse also decreases. (The other portion of the block grant is used for alcohol programs.)

To maintain the fiscal 1982 service level the funds available from the block grant are not entirely spent during the biennium as is shown in Table 2.

Table 2
Anticipated Block Grant Expenditures for ADAD-1985 Biennium

<u>Funds Available</u>	<u>FY '84</u>	<u>FY '85</u>
Carry-over From Previous Grants Block Grant*	\$ 650,149 <u>829,454</u>	\$ 599,261 <u>888,357</u>
Total Available Funds	\$1,479,603	\$1,487,618
Anticipated Expenditures:		
ADAD Expenses	\$ 693,690	\$ 714,030
Central Services Administration (@ 10 percent of total block)	<u>186,652</u>	<u>195,731</u>
Total Expenses	\$ 880,342	\$ 909,761
Funds in Excess of Expenditures	\$ 599,261 =====	\$ 577,857** =====

* State fiscal year revenues are calculated as 25 percent of the previous federal fiscal year and 75 percent of the federal year that corresponds to the current state fiscal year. Assumes a 6 percent increase in the block grant each year over the federal fiscal year 1983 actual award.

**This remaining balance is available for other legislative program options.

As can be seen, \$577,857 will remain from the block grant at the end of the biennium. This substantial fund balance is entirely due to the carryover from categoricals that the state was allowed to keep when the block grant program was started. As is shown, the carryover from the 1983 biennium is \$650,149. Because the fund balance is decreasing each year, this program is spending funds faster than they are being received from the block grant. At some point the carry over fund will be used up and then the program will have to be reduced or another fund source will have to be found to keep this program at its present level.

Supplemental Security Income (SSI)

The department anticipates that SSI funds received from some participants in the alcohol program will continue at current level. This analysis includes \$21,081 in fiscal 1984 and \$22,363 in fiscal 1985 from SSI.

Issue 1: Mountain View

This analysis assumes expenditure of nearly all alcohol earmarked revenues projected. Not included in Table 1 is an amount for an alcohol and drug abuse program requested at Mountain View. The requested program is to allow three girls per year to attend a 28-day inpatient drug treatment program. The projected cost is \$8,400 in fiscal 1984 and \$8,904 in fiscal 1985. If this program option is not selected in the Mountain View budget, these funds would remain in the earmarked account.

OPTIONS

Option a: If the option is not selected in the Mountain View budget, fund the request for a cost of \$17,304 over the biennium

Option b: Do not fund the request.

Issue 2: ADAD Discretionary Grants versus County Pass-thru Funds

In the past, the legislature has appropriated a given amount to the Department of Institutions for "discretionary" grants. The department uses these for specific alcohol projects it solicits and selects. Whatever is left from the alcohol earmarked funds after the ADAD appropriations is passed through to counties for whatever purpose the county wishes to use it for. This pass-thru is in addition to the pass-thru of alcohol earmarked funds of approximately \$1.4 million made directly to the county for county alcohol programs.

The legislature has the option of selecting the amount which is distributed as ADAD discretionary grants or "no strings attached" grants. The current level budgeted in this analysis for these two programs is shown below. Current level maintains the two programs at their 1982 level with inflation.

<u>Grant Type</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
ADAD Discretionary Funds	\$ 573,673	\$ 605,272
Pass-thru to Counties	<u>1,918,068</u>	<u>2,033,152</u>
Total Policy Option Amount	\$2,491,741 =====	\$2,638,424 =====

There is no general fund savings regarding this issue.

Issue 3: Block Grant - Transfer

This analysis includes an unused balance of \$577,857 at the end of the biennium in the mental health/ADAD block grant. The block grant language allows a transfer of up to 7 percent of the total block award. Under this provision, the possible transfer totals \$129,193 in fiscal 1984 and \$137,012 in fiscal 1985. The Federal Register dated July 6, 1982, states that these funds may be transferred to the low income energy assistance, social servces, community services, preventative health, or maternal and child health block grants. These funds could offset general fund expenditures if allocated to the social services, preventative health, or maternal and child health block grants. As stated in the Federal Register, "the [Omnibus] Act does not contain explicit provisions regarding use of transferred funds under the other block grants.... Rather than issue regulations regarding transfers, we have decided to leave resolution of these questions to each state..." The amount available for transfer totals \$266,205 over biennium, with a maximum of \$129,193 available for transfer in fiscal 1984.

DEPARTMENT OF INSTITUTIONS

CENTER FOR THE AGED

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	101.93	\$5,165,054	\$5,187,802
LFA Current Level	<u>103.93</u>	<u>5,102,150</u>	<u>5,124,898</u>
Executive Over (Under) LFA	(2.00)	\$ 62,904	\$ 62,904
	=====	=====	=====

The above table shows a difference of \$62,904 between the executive budget and the LFA current level. Personal services are higher in the LFA current level, because two psychiatric aide positions which were vacant in fiscal 1982 have been eliminated by the executive. Operating expenses in the LFA current level are about \$126,000 lower than the executive proposal, because funds for upgrading the menus have not been included and because repairs and maintenance have been reduced to reflect one-time charges. The LFA current level does not include a bus which is included in the executive budget.

CENTER FOR THE AGED

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	104.93	104.93	103.93	103.93	(0.9)
<u>Fund Source</u>					
General Fund Approp.	\$2,064,650	\$2,357,433	\$2,530,183	\$2,571,967	15.3
Other Funds Approp.	7,824	9,729	11,245	11,503	29.5
Funds Budget Amended	<u>638</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$2,073,112</u> =====	<u>\$2,367,162</u> =====	<u>\$2,541,428</u> =====	<u>\$2,583,470</u> =====	<u>15.4</u> =====

Expenditures by Object

Personal Services	\$1,594,362	\$1,883,208	\$1,963,323	\$1,963,540	12.9
Operating Expenses	467,418	478,768	572,551	617,121	25.7
Equipment	<u>11,332</u>	<u>5,186</u>	<u>5,554</u>	<u>2,809</u>	<u>(49.3)</u>
Total Operating Costs	<u>\$2,073,112</u> =====	<u>\$2,367,162</u> =====	<u>\$2,541,428</u> =====	<u>\$2,583,470</u> =====	<u>15.4</u> =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Upgrades				
Option a.	\$ (28,358)	\$ -0-	\$ (28,358)	\$ -0-
2. Position Changes				
Option a.	\$(106,000)	\$ -0-	\$(106,000)	\$ -0-
Option b.	(15,000)	-0-	(15,000)	-0-
3. Direct Care Vacancies	\$ (28,813)	\$ -0-	\$ (28,813)	\$ -0-

Center for the Aged provides long-term services to geriatric residents transferred from Warm Springs/Galen State Hospital and to referrals from Montana mental health centers.

Current Level Adjustments

In fiscal 1982, Center for the Aged changed their staffing pattern to emphasize a team approach to providing services. As a result of the reorganization, 15 positions were upgraded and some direct care positions were changed to administrative and support positions. The changes in staffing increased the personal services base by about \$43,000. The new

staffing pattern has been included as current level, and options to the staffing are discussed under Issues. Current level personal services also includes \$26,976 each year for the resident work program.

One laundry worker position has been deleted to reflect the laundry being done outside the facility. The other laundry worker is left in to sort the clean and dirty laundry.

Current level operating costs have also been adjusted. Sewer rates in Lewistown are expected to increase approximately 400 percent in the 1985 biennium because of the renovation of the sewage treatment plant. This will add about \$12,000 to the base. Garbage costs increased \$1,985 because the facility can no longer burn wastepaper. Contracted laundry costs increased \$25,000 because the facility's laundry does not meet health department standards and all laundry services will be contracted out in the 1985 biennium. Three thousand dollars per year has been included under supplies to replace 20 mattresses per year. One-time repair costs of \$20,270 were deleted from general repairs; \$3,415 was left in to replace an elevator door which does not meet health department standards.

Vacancy savings were calculated at 9 percent. We recommend 5 percent vacancy savings for the 1985 biennium.

Center for the Aged requested \$37,368 for equipment in fiscal 1984 and \$4,992 in fiscal 1985. The equipment in this current level analysis includes a video tape recorder, ten hospital beds, a wall washer, and a typewriter. The amount included for equipment is \$5,554 in fiscal 1984 and \$2,809 in fiscal 1985.

Issue 1: Upgrades

As a result of changing to a team approach at the Center for the Aged, 15 positions were upgraded in fiscal 1982. The effect of these upgrades is to add about \$28,000 to the personal services base. Most of the upgraded positions are nurses. The legislature has two options:

OPTIONS

Option a: Direct the institution to return to its former staffing pattern. The upgrades on 15 positions would not be needed and the institution would save \$28,358 before pay plan costs each year.

Option b: Approve the staffing pattern as established by the institution. This option is included in current level.

Issue 2: Position Changes

During fiscal 1982, some positions were changed from positions which work with the residents to administrative positions. The following table displays the classifications which have been eliminated and those which have been added. This table does not include changes within a class (i.e., nurse I to nurse II).

Table 1
Position Changes at Center for the Aged

<u>Positions Deleted</u>	<u># FTE</u>	<u>Grade</u>	<u>Positions Added</u>	<u># FTE</u>	<u>Grade</u>
Nurse	.20	12	Centralized Services Mgr.	1.00	16
Rehabilitation Aide	.24	8	Administrative Officer	1.00	16
Social Worker	1.00	15	General Office Clerk	.24	8
Psychiatric Aide	<u>3.19</u>	7	Laundry Workers	2.00	6,7
			Maintenance Workers	<u>.39</u>	8
Total	4.63			4.63	
	====			====	

The 4.63 positions which were deleted all worked with the residents. Some of the positions were direct care positions. Direct care positions at Center for the Aged include registered nurses, LPN's, and psychiatric aides. Last session, the legislature approved 57.08 direct care workers; currently, the institution has 53.69 direct care workers. The new positions are used as administrative and support staff. The effect of these position changes is to add about \$15,000 to the personal services base and reduce direct care for residents. The legislature has three options:

OPTIONS

Option a: Delete the new administrative and support positions. These positions were intended to be direct care positions or positions which deal with patients. This option would save approximately \$106,000 per year.

Option b: Delete the new administrative and support positions and reinstate the direct care positions deleted by the Center for the Aged. This option would save about \$15,000 per year.

Option c: Approve the staffing pattern as altered by the Center for the Aged. This option is included in current level.

Issue 3: Direct Care Vacancies

Center for the Aged left two psychiatric aide positions vacant for all of fiscal 1982. Since the legislature authorized these positions as direct care staff, the positions have been retained in current level. However, if the institution does not intend to fill these positions with direct care staff, the legislature may wish to delete them.

There are two options:

OPTIONS

Option a: Keep the two vacant psychiatric aide positions.

Option b: Delete the two vacant psychiatric aide positions. This option would save \$28,813 per year.

MONTANA VETERANS' HOME

MONTANA VETERANS' HOME

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	75.00	\$1,156,777	\$3,589,066
LFA Current Level	<u>59.08</u>	<u>1,080,013</u>	<u>2,953,190</u>
Executive Over (Under) LFA	15.92 =====	\$ 76,764 =====	\$ 635,876 =====

The above table shows a biennium difference of \$635,876 between the executive budget and the LFA current level. The executive budget includes funding for the new wing, while the above LFA figures reflect current level. Also the LFA current level reflects a decrease of two FTE as opposed to the executive's decrease of 1.5 FTE from the current staffing.

MONTANA VETERANS' HOME

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	61.08	61.08	59.08	59.08	(3.2)
<u>Fund Source</u>					
General Fund Approp.	\$ 364,793	\$ 696,004	\$ 546,521	\$ 533,492	1.8
Other Funds Approp.	<u>922,263</u>	<u>727,500</u>	<u>925,546</u>	<u>947,631</u>	<u>13.5</u>
Total Funds	<u>\$1,287,056</u>	<u>\$1,423,504</u>	<u>\$1,472,067</u>	<u>\$1,481,123</u>	<u>8.9</u>

Expenditures by Object

Personal Services	\$ 972,666	\$1,108,509	\$1,098,312	\$1,098,394	5.5
Operating Expenses	278,589	304,683	343,193	380,989	24.1
Equipment	<u>35,801</u>	<u>10,312</u>	<u>30,562</u>	<u>1,740</u>	<u>(29.9)</u>
Total Operating Costs	<u>\$1,287,056</u>	<u>\$1,423,504</u>	<u>\$1,472,067</u>	<u>\$1,481,123</u>	<u>8.9</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Direct Care Positions	\$(28,704)	\$ -0-	\$(28,704)	\$ -0-
2. New Wing				
Option a.	\$ 13,316	\$98,059	\$ -0-	\$338,822
Option b.	-0-	96,003	-0-	292,882

The Montana Veterans' Home provides domiciliary and nursing care to 115 honorably discharged veterans. If space allows, the home may also admit spouses or surviving spouses of veterans.

Current Level Adjustments

Two positions, a maintenance worker and a custodial supervisor, have been deleted. The Governor's Council on Management recommended this action, and the agency concurred.

Current level operating expenses increased approximately 24 percent. Most of this was due to the inflation factors applied to utilities. In addition, the laundry contract increased \$6,000 from fiscal 1982 to fiscal 1984,

food costs increased \$4,000 due to the loss of donated baking items, and audit costs (fiscal 1984) of \$6,500 were included. One thousand dollars has been included under contracted services for staff development.

Current level includes \$30,562 for equipment in fiscal 1984 and \$1,740 in fiscal 1985. Some of the larger items include a telephone system, submersible pump, and a bedside scale.

The Montana Veterans' Home is funded by general fund, Veterans' Administration funds, and private reimbursements. The Veterans Administration funds are expected to remain at the same rate during the 1985 biennium as during the 1983 biennium--\$12.10 per day for nursing home care and \$6.35 for domiciliary care. Private reimbursements are also assumed to continue at the same level.

Vacancy savings at the Montana Veterans' Home in fiscal 1982 was 9.7 percent. A vacancy savings factor of 5 percent is recommended for the 1985 biennium.

Issue 1: Direct Care Positions

Last session the institution requested, and was granted, 7.28 additional direct care positions for a total of 23.28 FTE. At the Montana Veterans' Home, RN's, LPN's, and Nurses' Aides are considered direct care positions. At the end of fiscal 1982, there were 21.23 FTE direct care positions, a reduction of 2.05 authorized direct care FTE. Direct care positions are important because they provide the day-to-day care of the residents.

The legislature has three options.

OPTIONS

Option a: Approve the current staffing pattern.

Option b: Direct the institution to return to the former level of direct care staff.

Option c: Delete the changed positions. This option would save \$28,704 per year.

Issue 2: New Wing

The new wing on the Veterans' Home is projected to be completed in February, 1984. It will house 50 new members. Some of the other living areas will be closed, so the number of additional beds will be 36.

An additional 5.15 FTE are requested in fiscal 1984 and 15.42 FTE in fiscal 1985. In addition, \$27,959 in fiscal 1984 and \$89,513 in fiscal 1985 has been requested for operating expenses in the new wing. The table below shows the staff requested in the Certificate of Need proposal and the staff requested in the budget request.

Table 1
Montana Veterans' Home Staffing Pattern
Certificate of Need Proposal and Current Budget Request

<u>Position</u>	<u>FTE Certificate of Need</u>	<u>FTE Budget Request</u>
LPNs	3.00	2.70
Aides	<u>4.17</u>	<u>6.72</u>
Subtotal Direct Care	7.17	9.42
Food Service Workers	3.25	2.50
Custodial Workers	2.00	2.00
Social Worker	1.00	-0-
Laundry Workers	2.00	-0-
Physical Therapist	.50	-0-
Recreation Therapist	-0-	.50
Recreation Assistant	<u>-0-</u>	<u>1.00</u>
Total	15.92	15.42
	=====	=====

2.25 more direct care staff are requested for the new wing than are listed in the Certificate of Need request. This may be because the institution decreased its current level direct care staff by 2.05 in fiscal 1982. No laundry workers will be needed, because the Veterans' Home sends all its laundry out. The physical therapist position also has not been requested, although the institution requested \$800 in current level for this contracted service. Last session the legislature added a social worker/activity director position. The institution hired a program manager for

this position and is now requesting 1.5 recreation FTE.

The following table shows the cost of the new wing according to the budget request.

Table 2
Montana Veterans' Home - New Wing
Institution Request

<u>Fund Source</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
General Fund	\$ 13,316	\$ -0-
Other Funds	<u>98,059</u>	<u>341,768</u>
Total Funds	\$111,375 =====	\$341,768 =====
<u>Expenditures</u>		
Personal Services	\$ 83,416	\$249,309
Operating Expenses	<u>27,959</u>	<u>89,513</u>
Total Operating Costs	\$111,375 =====	\$338,822 =====

An alternative would be to staff the new wing as shown in the Certificate of Need proposal, omitting positions which are not needed. Table 3 shows the alternative staffing pattern.

Table 3
Alternative Staffing Pattern

<u>Position</u>	<u>FTE</u>
LPNs	3.00
Aides	4.17
Food Service Workers	2.50
Custodial Workers	2.00
Recreation Assistant	<u>1.00</u>
Total	12.67 =====

This alternative would save approximately \$46,000 annually in personal services' costs. Table 4 shows the funding and expenditures of the new wing, using this alternative.

Table 4
Montana Veterans' Home - New Wing
Alternative Staffing

<u>Fund Source</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
General Fund ¹	\$ -0-	\$ -0-
Other Funds	<u>96,776</u>	<u>335,887</u> →
	\$96,776	\$335,887
	=====	=====
<u>Expenditures</u>		
Personal Services	\$68,044	\$203,369
Operating Expenses	<u>27,959</u>	<u>89,513</u>
Total Operating Funds	\$96,003	\$292,882
	=====	=====

¹Other funds reflect the additional VA and private pay reimbursements available to the institution because of the increased bed capacity.

OPTIONS

Option a: Fund the wing at the level requested by the institution. This option will cost \$111,375 in fiscal 1984 and \$338,822 in fiscal 1985.

Option b: Fund the wing using the alternative staffing pattern. This option will cost \$96,003 in fiscal 1984 and \$292,882 in fiscal 1985.

MOUNTAIN VEIW SCHOOL

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	65.13	\$3,200,108	\$3,314,457
LFA Current Level	<u>65.21</u>	<u>3,111,470</u>	<u>3,242,394</u>
Executive Over (Under) LFA	(.08) =====	\$ 88,638 =====	\$ 72,063 =====

In the LFA current level, 1.1 FTE ESEA Title I supported teachers have been deleted. The executive budget deleted one FTE social worker and altered the method of calculating teacher FTE for a reduction of 1.18 FTE.

The executive budget replaces Title I funds with general fund for the 1.1 FTE Title I positions. Current level does not retain these positions as federal funding is not anticipated.

The executive budget exceeds the current level in operating expenses due to more administrative travel, not eliminating one-time expenditures, and including communications above current level.

Current level included approximately \$18,000 more for equipment than the executive budget due to the inclusion of a fire alarm system and a snow removal tractor.

MOUNTAIN VIEW SCHOOL

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	67.71	67.71	65.21	65.21	(3.6)
<u>Fund Source</u>					
General Fund Approp.	\$1,357,730	\$1,553,282	\$1,546,862	\$1,564,608	6.9
Other Funds Approp.	90,979	52,650	66,520	64,404	(8.8)
Funds Budget Amended	<u>1,762</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,450,471</u>	<u>\$1,605,932</u>	<u>\$1,613,382</u>	<u>\$1,629,012</u>	<u>6.1</u>
	=====	=====	=====	=====	===
<u>Expenditures by Object</u>					
Personal Services	\$1,209,386	\$1,350,759	\$1,350,471	\$1,350,847	5.5
Operating Expenses	226,623	248,198	250,733	265,150	8.6
Equipment	<u>14,462</u>	<u>6,975</u>	<u>12,178</u>	<u>13,015</u>	<u>17.5</u>
Total Operating Costs	<u>\$1,450,471</u>	<u>\$1,605,932</u>	<u>\$1,613,382</u>	<u>\$1,629,012</u>	<u>6.1</u>
	=====	=====	=====	=====	===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Drug/Alcohol Treatment	\$ 8,400	\$ -0-	\$ 8,904	\$ -0-
2. Population Cycles	\$(31,870)	\$ -0-	\$(31,775)	\$ -0-

Mountain View School is charged with the responsibility for the care, education, and rehabilitation of juvenile girls who are committed to the school by district courts. In addition, the school contracts with the federal government to care for girls who are in federal custody.

Due to the varying conclusions of studies based on historical trends, comparisons with nearby states, and statistical projections, the population projections are uncertain. Current level assumes that the population will remain fairly stable through the 1985 biennium. The average daily population of the school in fiscal 1982 was 36 students, and this figure was used to establish the current level base.

Current Level Adjustments

Personal Services - A reduction of 1.4 FTE consisting of 1.00 FTE transportation officer; .25 FTE maintenance painter, and a .15 FTE teacher has been made at the agency's request. A 1.1 FTE teaching position that was supported by ESEA Title I funds has been deleted. Title I funds are for supplementary education and are not anticipated for the 1985 biennium.

Vacancy Savings - Vacancy savings of 6 percent was realized during fiscal 1982. It is suggested that a 4 percent vacancy savings be continued through the 1985 biennium.

Operating Expenses - The school requested that fiscal 1982 operating expenses be calculated on a three-year average. The years the average was derived from were fiscal 1980, 1981, and 1982. The average daily population of the school during those years were 45, 42, and 36, respectively.

When the agency's adjustment request was similar to or lower than actual 1982 expenditures, the requested adjustment was made. When the request for items exceeded the actual fiscal 1982 expenditure for those items, the actual 1982 expenditure was used as the base. It is felt that this method of adjustment would reflect both declining trends in expenditures and the declining population of the school over the three years used to provide the average.

Capital Equipment - Items included in equipment are as follows:

		<u>FY '84</u>	<u>FY '85</u>
10	Fire Extinguishers	\$ 390	\$ ---
3/yr.	Heat/Smoke Detectors	225	225
1	Washer	449	---
1	Dryer	349	---
1	Clinical Sterilizer	250	---
1	Culture Incubator	225	---
1	Tractor/Mower/Snowblower	6,220	---
1	Filmstrip Projector	280	---
2	Television Sets	395	395
	Fire Alarm Control Boxes	<u>3,000</u>	<u>12,000</u>
	Total	\$12,178 =====	\$13,015 =====

Funding - The school received funds through the School Breakfast and Lunch Program and through federal boarder contracts. The school

breakfast and lunch funding is expected to yield \$46,153 during the 1985 biennium.

Funding obtainable through the federal room and board contract is calculated at \$67.22 per day. It is estimated that the school will have one and one-half federal wards in custody for fiscal 1984 and 1985, for a total revenue of \$36,800 each year. This calculation was made on the basis that in fiscal 1980 and 1981, the school had two federal boarders; and in fiscal 1982, the school had one federal boarder.

Issue 1: Drug/Alcohol Treatment Fund Request

Ninety percent of the girls committed to Mountain View School have been identified as having drug/alcohol abuse problems. An estimated 25 percent have physical addiction to drugs and/or alcohol. The institution has requested \$17,304 over the biennium to allow three girls per year to attend a 28-day in-patient drug treatment program.

The majority of girls have available either parental aid or health insurance as a source of financial assistance to attend an in-patient treatment program. The funding request is to provide financial support for the girls who do not have one of these sources of aid.

An alternative available to these girls is to send them to Galen State Hospital. It has been suggested by the agency that Galen is not the place for juvenile girls due to the nature of the other patients and inadequate supervision and counseling.

OPTIONS

Option a: Fund the Drug/Alcohol Treatment Program at a cost of \$17,304 in the 1985 biennium.

Option b: Do not fund the request and require that the program at Galen be utilized by the school.

Issue 2: Yearly Population Cycles

Mountain View School's population experiences yearly cycles with mid-November to early June being the high months and June to November being the low. During fiscal 1981, the peak was 54 students and the low was 30 students. In fiscal 1982, the peak was 50 and the low 20. Because of the population cycles, it may be possible to close one cottage during the summer months.

This closure would allow a reduction of 6.4 FTE cottage life attendants during the summer months. The cottage requires that four, seven-day posts be filled with a relief factor of 1.6. If a cottage were closed for four months of the year, a savings of \$63,625 over the biennium could be achieved.

No other positions would be affected by this closure.

OPTIONS

Option a: Close one cottage during the summer months. This would allow the reduction of 6.4 FTE during the summer and require their replacement in the fall when the cottage needs to be reopened. This would reduce personal services expenditures by \$31,870 in fiscal 1984 and \$31,775 in fiscal 1985.

Option b: Do not close one cottage during the summer months. Staffing for three cottages year-round is included in current level.

PINE HILLS SCHOOL

PINE HILLS SCHOOL

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	117.75	\$5,520,648	\$6,328,583
LFA Current Level	<u>113.74</u>	<u>5,202,779</u>	<u>6,022,931</u>
Executive Over (Under) LFA	4.01	\$ 317,869	\$ 305,652
	====	=====	=====

The executive budget is higher than current level in personal services as the executive replaced federal ESEA Title I funds with general fund for teaching positions.

In operating expenses, the major reasons current level is below the executive budget are: (1) psychiatric services and fire protection fees have been removed from the current level and presented to the legislature as options, (2) clothing, personal items, and food have been retained at current level as the population is not expected to change, (3) travel expenses relating to staff training have been removed, as the Corrections Division has an in-house trainer to visit the various institutions, (4) utilities have remained at current level with a yearly inflation factor applied, and (5) buildings and grounds repairs and maintenance have been reduced for one-time expenses.

The difference in equipment between the executive budget and LFA current level is due to the inclusion of one automobile each year in the LFA current level. The executive did not include funds for new vehicles.

PINE HILLS SCHOOL

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	127.12	119.34	113.74	113.74	(7.7)
<u>Fund Source</u>					
General Fund Approp.	\$2,128,003	\$2,471,768	\$2,568,627	\$2,634,152	13.1
Other Funds Approp.	552,850	,486,676	412,798	406,047	(21.2)
Funds Budget Amended	<u>36,744</u>	<u>-0-</u>	<u>1,307</u>	<u>-0-</u>	<u>(96.4)</u>
Total Funds	<u>\$2,717,597</u> =====	<u>\$2,958,444</u> =====	<u>\$2,982,732</u> =====	<u>\$3,040,199</u> =====	<u>6.1</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$2,162,991	\$2,427,930	\$2,331,609	\$2,331,352	1.5
Operating Expenses	533,693	521,244	633,434	697,280	26.1
Equipment	<u>20,913</u>	<u>9,270</u>	<u>17,689</u>	<u>11,567</u>	<u>(3.0)</u>
Total Operating Costs	<u>\$2,717,597</u> =====	<u>\$2,958,444</u> =====	<u>\$2,982,732</u> =====	<u>\$3,040,199</u> =====	<u>6.1</u> ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Fire Protection Fees				
Option a.	\$ 5,000	\$ -0-	\$ 5,000	\$ -0-
Option b.	1,000	-0-	1,000	-0-
2. Psychiatric Services				
Option a.	\$26,000	\$ -0-	\$26,000	\$ -0-
Option b.	6,000	-0-	6,000	-0-
3. Developmental Services				
Program				
Option a.	\$15,003	\$ -0-	\$14,973	\$ -0-

Pine Hills School is charged with the responsibility for the care and custody of juvenile boys who have been sentenced to the institution by the courts. The average daily population is expected to remain fairly static through the 1985 biennium with population projections of 90 to 100 students. Maximum capacity at the school is 120 students.

Current Level Adjustments

Funding - In the past, Pine Hills School has used funds provided by the ESEA Title I Program to provide supplementary educational services to disadvantaged youth. The source of these funds is currently uncertain as the ESEA Program has been reorganized into the ECIA Block Grant Program. Because of this uncertainty, ESEA supported positions and programs have been removed from the base for the 1985 biennium.

The interest and income reserve from oil and gas revenue was \$322,546 in fiscal 1982. In fiscal 1983 this income is expected to be \$300,000. State Lands has estimated that this figure will be reduced to \$250,000 a year in the coming biennium, and this figure was included in the analysis. According to state lands, the \$250,000 is a low estimate and the interest and income could generate \$270,000 to \$300,000 per year.

In fiscal 1984 and 1985, \$79,605 is expected from federal room and board and contract improvement funds based upon an average of three federal inmates per year with support of \$72.70 per day. In addition, the school expects to receive \$103,020 during the 1985 biennium in federal school breakfast and lunch support.

A substance abuse counselor at the school is funded with earmarked alcohol funds. This will amount to \$24,942 for both fiscal 1984 and 1985.

Personal Services - Personal services for the 1985 biennium are at a level of 113.74 FTE. This is a reduction of 13.38 FTE from the actual fiscal 1982 level. This decrease is due to the following reductions:

1. 1.25 FTE have been deleted as the positions were supported by a CETA Field/Learning Program budget amendment;
2. .24 FTE teacher's aides have been voluntarily deleted by the agency;
3. .39 FTE teachers have been reduced due to an alteration in counting the teacher FTE. This change did not affect the number of teachers employed;
4. 5.9 FTE cottage life attendant I's were deleted in fiscal 1983 by the 47th Legislature;
5. One FTE cottage life attendant III has been deleted and a .4 FTE cottage life attendant I was added;

6. Two half-time positions, one mail clerk and one sales clerk, were deleted as neither position was filled during fiscal 1982; and

7. Four FTE positions that were supported by ESEA Title I have been deleted as these funds are not anticipated for the 1985 biennium.

The remaining FTE have been included at current level. A 7.3 percent vacancy savings was realized in fiscal 1982. A 3.5 vacancy savings is recommended for the 1985 biennium.

Operating Expenses - Services purchased in the operating expenses are continued at current level. Operating expenses have increased a total of 26.1 percent between the bienniums. Major components of this increase are insurance costs which are up 36 percent, the inclusion of \$12,500 for audit fees, increases in medical expenses, and increased utility rates.

In fiscal 1984 the cost per meal will be approximately \$1.14. This will increase to \$1.20 in fiscal 1985. The cost per meal in fiscal 1982 was \$1.07.

Equipment - Pine Hills School submitted an equipment request totalling \$33,814 for fiscal 1984 and \$23,627 for fiscal 1985. Items requested, but not included, are a pick-up truck, 25-inch color T.V.'s, metal wall lockers, a lawn and garden tractor, a micro cassette transcriber, and a storage rack for ten pound cans. Items included in the base request are:

<u>Equipment Items</u>	<u>FY 1984</u>	<u>FY 1985</u>
Clothes Washer	\$ 449	\$ 449
Clothes Dryer		349
Dorm Furniture	1,300	271
Automobiles	6,558	6,951
Refrigerator	489	
T.V. Sets - 19" Color	395	395
Food Slicer	2,770	
Stereo	450	450
Heated Food Cart	1,226	
2-way Mobile Radio	731	731
2-way Base Station		1,017
Typewriter	879	350
Vacuum Cleaners	355	355
4-Burner Stove	2,087	
Lawn Mower		249
Total	\$17,689	\$11,567
	=====	=====

Issue 1: Fire Protection Fees

Miles City suggested that Pine Hills School's assessment for fire protection fees should be based upon the school's appraised value. This would increase the charge to the state from \$800 to \$22,000 annually.

The Department of Institutions responded both verbally and in letter that this increase was exorbitant and would not be accepted. The highest assessment that the department would accept is \$5,000. If this were indeed the fee imposed by the city for fire protection, the department would also require a written statement from the fire department stating the specific services that will be provided. Currently, there has been no response to this.

Pine Hills School has consequently assessed the potential of an alternate source of fire protection. The only other viable alternative in the area is the volunteer fire department. This department is supported through private contributions. It is estimated that a reasonable contribution to this volunteer fire department would be \$1,000 per year.

OPTIONS

Option a: Continue contracting with the Miles City fire department. The maximum amount this would cost and still be acceptable to the Department of Institutions is \$5,000 per year.

Option b: Contract with the Miles City volunteer fire department. It is estimated that this would cost \$1,000 per year.

Issue 2: Psychiatric Services

Pine Hills School has requested an appropriation of \$6,000 per year to provide psychiatric services to the mentally dysfunctional residents of the school. The services to be provided by the psychiatrist include a screening of five to eight new admissions to determine their need for possible psychotropic medication, an assessment of every boy who might require psychiatric hospitalization, and a review of every client who may have suicidal tendencies. In addition, the psychiatrist will provide in-service training for the agency's nurses, clinical staff, and clinical psychologist. These services will be provided one day a month at a cost of \$500 per day.

Additional costs in the provision of psychotropic treatment is the cost of the medications. Currently, there are seven boys who are requiring the medication. These expenses amount to \$35 per person per week. The agency says if the medications are not provided for a severely psychotic and/or neurotic juvenile, an additional 5.65 FTE per week is required to monitor the boy. Furthermore, the agency says the existing staff at Pine Hills School do not have the capacities to adequately deal with the seriously disturbed juvenile.

The central question involved in this issue is whether or not Pine Hills School is the institution these juveniles should be sent to or if they are so severely psychologically dysfunctional that they would be better off receiving constant psychiatric care. A corollary question is how the treatment of these individuals with psychotropic medication relates to the rehabilitative goals of the institution.

OPTIONS

Option a: Increase the funding for the contracted services to allow the psychiatrist to visit the institution on a more frequent basis to monitor the severely disturbed boys. The standards for the Administration of Juvenile Justice suggest that an appropriate schedule for psychiatric monitoring is once per week. This would increase the cost to the institution by \$26,000 per year.

Option b: Fund the contract as a stop-gap measure until the new Montana Youth Treatment Center in Billings is able to absorb the mentally dysfunctional juvenile who had originally been committed to Pine Hills. This center is projected to open during fiscal 1984. This option would increase the contracted services base by \$6,000 per year.

Issue 3: Developmental Services Program

Pine Hills School has submitted a modified request to institute a new vocational-educational program at the school. A full-time teacher has been requested at a cost of \$15,003 in fiscal 1984 and \$14,973 in fiscal 1985 to provide vocational education in the food service area. Food handling was chosen because it is an area of expertise with a fairly high employability potential in Montana.

The kitchen and existing equipment will be used as the "classroom". The emphasis will be on short order cooking. The students will not be preparing meals for the population of the institution except on occasions where the instruction correlates to the menu. No cooks will be replaced because of this program.

OPTIONS

Option a: Fund the modified request at a cost of \$15,003 in fiscal 1984 and \$14,973 in fiscal 1985.

Option b: Do not fund the request.

MONTANA YOUTH TREATMENT CENTER

MONTANA YOUTH TREATMENT CENTER

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	108.43	\$2,547,825	\$2,564,590
LFA Current Level	<u>108.43</u>	<u>2,176,320</u>	<u>2,514,331</u>
Executive Over (Under) LFA	0.00	\$ 371,505	\$ 50,259
	====	=====	=====

The major difference between the executive budget and the LFA current level is in the funding. The LFA current level includes transfers from SRS and OPI as youths these offices presently fund in out-of-state placements are moved to the Youth Treatment Center. The LFA current level also includes more funds from the school lunch program. Program differences are in the area of food and equipment.

MONTANA YOUTH TREATMENT CENTER

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	0.00	0.00	2.82	108.43	N/A
<u>Fund Source</u>					
General Fund Approp.	\$ -0-	\$ -0-	\$137,584	\$2,038,736	N/A
Other Funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>338,011</u>	<u>N/A</u>
Total Funds	\$ -0- =====	\$ -0- =====	\$137,584 =====	\$2,376,747 =====	N/A =====
<u>Expenditures by Object</u>					
Personal Services	\$ -0-	\$ -0-	\$ 55,484	\$1,987,055	N/A
Operating Expenses	-0-	-0-	25,076	389,692	N/A
Equipment	<u>-0-</u>	<u>-0-</u>	<u>57,024</u>	<u>-0-</u>	<u>N/A</u>
Total Operating Costs	\$ -0- =====	\$ -0- =====	\$137,584 =====	\$2,376,747 =====	N/A =====

ISSUES

-----Fiscal 1984----- -----Fiscal 1985-----
General Fund Other Funds General Fund Other Funds

1. Moving Expense	\$ -0-	\$ -0-	Not Available	\$ -0-
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Scheduled to open in June 1984, the Montana Youth Treatment Center will provide long term (6 months to 2 years) psychological and educational services to seriously emotionally disturbed residents. The center will hold 60 residents, aged 12 to 18. The 30 residents of the Children's Unit at Warm Springs will move to the Montana Youth Treatment Center in June 1984. Other residents (who are now on out-of-state placement, on the waiting list for the Warm Springs Children's Unit, or in the community) will be phased in after July 1984 at the rate of approximately five per month.

The FTE levels of 2.82 in fiscal 1984 and 108.43 in fiscal 1985 reflect partial staffing in those years. The total staffing requested is 111.26. At the end of fiscal 1985, 111.26 FTE will be on board.

A vacancy savings factor of 4 percent is recommended for fiscal 1985. This is based on the vacancy savings at other mental health institutions.

The budget includes \$64,800 under contracted services for a psychiatrist to work 1,080 hours at \$60 per hour. The salary and benefit cost of hiring a full-time psychiatrist would be approximately \$71,000 for over 1,500 direct working hours.

Equipment totalling \$57,024 has been included in fiscal 1984. The Department of Institutions did not request any equipment in fiscal 1985. Some of the equipment to be purchased includes a station wagon, two 15-passenger vans, a pick-up, five TV sets, four typewriters, two sewing machines, and a trampoline.

General fund and school breakfast and lunch funds will support the Youth Treatment Center. Based upon the phase-in schedule of residents, school breakfast and lunch funds of approximately \$38,000 will be available.

Another source of funding is transfers from the Department of Social and Rehabilitation Services and the Office of Public Instruction.

The Certificate of Need proposal for the Montana Youth Treatment Center lists 18 children who have been placed out-of-state by SRS as of February 10, 1982. The annual cost to SRS for these children is approximately \$300,000. SRS also funds 56 children at Yellowstone Boys and Girls Ranch. In addition, the Office of Public Instruction pays approximately \$46,000 for six emotionally disturbed children placed out-of-state. Some of the above children will move into the Youth Treatment Center. Since SRS and OPI have been funded for these children, we recommend they transfer that funding to the Youth Treatment Center. "Other funds" includes \$300,000 of such transfers.

Issue 1: Moving Expenses

No money for moving residents and equipment from Warm Springs into the center has been requested. The Department of Institutions says they will have a firm request in January. Staff relocation expenses have been included under Warm Springs' budget.

DEPARTMENT OF INSTITUTIONS

EASTMONT HUMAN SERVICES CENTER

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	96.52	\$4,233,786	\$4,243,754
LFA Current Level	<u>88.60</u>	<u>3,935,471</u>	<u>3,945,439</u>
Executive Over (Under) LFA	7.92	\$ 298,315	\$ 298,315
	====	=====	=====

The executive budget includes \$276,967 to convert the 5-day program at Eastmont to a 7-day program. Seven FTE were added due to this change.

The other difference between the executive budget and current level is in the number of positions. LFA current level does not include a psychologist, a Title I behavior modification therapist, and a .5 FTE food service worker which are included in the executive budget. The executive budget does not include a transportation officer (deleted because of the conversion to a 7-day program) and a .58 FTE custodial worker which are included in the LFA current level.

EASTMONT HUMAN SERVICES CENTER

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	92.50	92.50	88.60	88.60	(4.2)
<u>Fund Source</u>					
General Fund Approp.	\$1,581,515	\$1,882,451	\$1,954,574	\$1,980,897	13.6
Other Funds Approp.	41,051	48,512	4,984	4,984	(88.8)
Funds Budget Amended	<u>3,852</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,626,418</u>	<u>\$1,930,963</u>	<u>\$1,959,558</u>	<u>\$1,985,881</u>	<u>10.9</u>

Expenditures by Object

Personal Services	\$1,368,288	\$1,650,028	\$1,633,089	\$1,636,788	8.3
Operating Expenses	234,536	265,195	315,956	342,351	31.7
Equipment	<u>23,594</u>	<u>15,740</u>	<u>10,513</u>	<u>6,742</u>	<u>(56.1)</u>
Total Operating Cost	<u>\$1,626,418</u>	<u>\$1,930,963</u>	<u>\$1,959,558</u>	<u>\$1,985,881</u>	<u>10.9</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Training for Adult Residents	\$(175,065)	\$ -0-	\$(175,861)	\$ -0-
2. Laundry Workers/Food Service Workers				
Option a.	\$ 6,943	\$ -0-	\$ 6,943	\$ -0-
Option b.	(6,943)	-0-	(6,943)	-0-
3. Title I Funding	\$ 21,518	\$ -0-	\$ 21,518	\$ -0-
4. 5-day Program	\$ 111,811	\$2,605	\$ 115,571	\$2,697
5. Special Olympics	\$ -0-	\$ -0-	\$ 1,600	\$ -0-
6. Direct Care Staffing - No Cost				

Eastmont provides services to mentally retarded children and adults. The institution operates two programs: a 5-day program and a 7-day program. The 5-day program is for mentally retarded children whose

school districts do not have appropriate special education programs. The students live at Eastmont during the week and return home on weekends. Currently, there are eight students in the 5-day program. In addition, two local students attend Eastmont half days.

In the 7-day program, the residents live at Eastmont on a full-time basis. Currently, there are 40 residents in the 7-day program.

Current Level Adjustments

Eastmont estimates there will be no Title I funding available in the 1985 biennium, so the two Title I positions have been deleted. In addition, a .4 LPN position and a psychologist position were deleted because they were unfilled all year. In fiscal 1982, a psychologist was contracted for \$4,000 which was more cost effective than hiring a full-time psychologist. A .5 food service worker (formerly a laundry worker) was also deleted. The food service-laundry worker deletion is discussed under Issue 2.

The contracted laundry costs increased \$33,000 because Eastmont's laundry facilities do not meet health department standards and all laundry must be sent out.

The current level request includes \$10,513 in fiscal 1984 and \$6,742 in fiscal 1985 for equipment. Recommended equipment includes drapes, snow plow blade, van lift, cottage furniture, and other smaller items.

Vacancy savings in fiscal 1982 was 9.2 percent. We recommend using 4.75 percent in the 1985 biennium.

Issue 1: Training for Adult Residents

Although Eastmont and Boulder serve the same type of person, they are not funded similarly in the area of resident training and education. Eastmont began as a 5-day residential program for school children. In 1979 it expanded to include 40 developmentally disabled adults on a full-time basis. Both the adults and the children are provided four and one-half hours of classroom training and education per day.

On the other hand, Boulder has evolved from a custodial arrangement to its present program of providing education mainly to residents under age 21. Some adults do not receive training outside their cottages. Those who do receive education services receive between one and three hours per day. All children receive five hours of education per day.

State and federal laws require that all children between the ages of 6 and 18 inclusive be entitled to a free and appropriate education. In addition, Section 53-20-142(5), MCA states:

"Residents shall have a right to receive suitable education and habilitation services regardless of chronological age, degree of retardation, or accompanying disabilities or handicaps."

Previous legislatures have funded positions for adult training and education at Eastmont but not at Boulder, even though Boulder has previously requested funding for adult education and training. The legislature has three options:

OPTIONS

Option a: Fund education services at Eastmont only for those residents under age 21. This option would fund the Eastmont and Boulder programs consistently and would save approximately \$175,000 each year at Eastmont.

Option b: Provide additional funds at Boulder so that all adults receive education services. The Eastmont and Boulder programs would then be funded consistently. The cost for this option would show under Boulder's budget.

Option c: Maintain the current level of education and training at Boulder and Eastmont. All children at Boulder receive education; not all adults do. All adults and children at Eastmont receive training and education.

Issue 2: Laundry Workers/Food Service Workers

Last session, the legislature authorized two new laundry worker positions for Eastmont. Currently, only one of these positions is filled as a laundry worker; the other is filled as a food service worker. The change in laundry worker positions was made in two steps. First, when the positions were originally filled, 1.5 laundry workers were hired and a .5 food service worker was hired. Second, as a result of the Attends (incontinent briefs) program, a .5 laundry worker was no longer needed.

The Attends program, used by 11 residents who are not toilet trained, began in February, 1982. The annualized savings from the Attends program includes \$2,700 in contracted laundry costs for linens and \$6,943 in

salary and benefits for a .5 laundry worker who is no longer needed. The savings of \$9,643 is offset by the \$7,000 cost per year to purchase the briefs. Thus, the net savings to the institution should be \$2,643. However, the .5 FTE (at a cost of \$6,943) which is no longer needed in the laundry was moved to the food service area in fiscal 1983 rather than being deleted. Thus, the new cost to the institution of the Attends Program is \$4,300.

Eastmont says it needs both of the .5 FTE food service worker positions. During fiscal 1982 they operated with one additional .5 FTE food service worker and used about 130 hours of overtime in the food service area. Thus, the additional .5 food service worker may be justified, but both of the .5 food service workers may not be.

Two issues are involved:

1. Last session the department requested, and was granted, two new laundry worker positions. Only one of those positions is used as a laundry worker.

2. By moving a .5 laundry worker position to food service instead of deleting it, the institution has spent, not saved, money using Attends.

The current level budget includes the additional .5 food service worker which was utilized in fiscal 1982. The other .5 laundry worker has not been added as a food service worker.

There are three options for the legislature to consider:

OPTIONS

Option a: Add another .5 FTE food service worker. This option brings the total number of food service workers to 4.2, one more than authorized during the last session. This option will cost \$6,943 per year.

Option b: Do not keep any of the additional food service workers. This option will save \$6,943 per year.

Option c: Keep .5 FTE new food service workers. This option brings the total number of food service workers to 3.7, .5 more than authorized during the last session. This option is included as current level.

Issue 3: Title I Funding

Eastmont projects Title I funding will be discontinued during the 1985 biennium. In fiscal 1982, two positions were funded with Title I money, a behavior modification therapist and a teacher. In fiscal 1983 a behavior modification therapist and a rehabilitation aide were funded under Title I.

Title I funds support supplemental programs for educationally disadvantaged students. However, Eastmont states that its Title I behavior modification therapist position is now a necessary part of the program. Because the functioning level of the residents has decreased and the behavior problems have increased, Eastmont says it needs the behavior modification therapist to formulate programs for the residents. Eastmont agrees the second Title I position can be deleted.

Thus, the legislature has two options:

OPTIONS

Option a: Fund the behavior modification therapist Title I position with general fund money. If Title I money becomes available, require the agency to use it first to offset general fund. This option would cost \$21,518 per year.

Option b: Do not fund Title I positions with general fund. If Title I money becomes available, the positions may be added by budget amendment.

Issue 4: 5-Day Program

Eastmont has proposed changing the 5-day program to a 7-day program. The 5-day cottage, which presently houses eight 5-day children, would be used to serve 15 children and young adults. The Department of Institutions predicts five of the children in the 5-day program would remain and ten residents from Boulder would move to Eastmont.

The cost of the conversion is shown in Table 1.

Table 1
Cost of 7-Day Program Above 5-Day Program for 15 People

	<u>FY 1984</u>	<u>FY 1985</u>
Personal Services	\$103,357	\$103,357
Operating Expenses	<u>32,091</u>	<u>35,943</u>
Total Cost	\$135,448	\$139,300
Savings from 5-Day Program	<u>\$ 21,032</u>	<u>\$ 21,032</u>
Net Cost	\$114,416 =====	\$118,268 =====

The cost for personal services includes the following new positions: 5.0 habilitation aide I's, .5 rehabilitation aide, .5 food service worker, .5 custodial worker, and .5 general office clerk.

Because transportation from home to the institution would no longer be provided for 5-day residents, the institution would no longer need the transportation officer position (salary and benefits - \$16,032). The institution says it also would save approximately \$5,000 in gasoline.

The current residents in the 5-day program are considered "educational" placements as opposed to "institutional" placements. Thus, they are not eligible for Medicaid reimbursement for their room and board costs. By converting the 5-day program to a 7-day program, the institution may be reimbursed by Medicaid for the eligible residents. Parents of the 5-day residents who remain in the 7-day program will also be expected to pay for their child's care if they are able. Currently, parents are not billed because the children are educational placements.

No funds for transporting residents and their belongings from Boulder to Eastmont were requested by the agencies. On the last move from Boulder to Eastmont, the residents were flown by the National Guard.

The legislature may consider two options:

OPTIONS

Option a: Convert the 5-day program to a 7-day program. This option will cost \$114,416 in fiscal 1984 and \$118,268 in fiscal 1985.

Option b: Leave the 5-day program in place.

Issue 5: Special Olympics

Eastmont has requested \$1,600 to take ten residents to the Special Olympics in fiscal 1985 when it will be held in Billings. Previously, travel to the Special Olympics was paid by donations. However, Eastmont believes that the Special Olympics is not a supplementary part of the program, but is an appropriate activity for some residents. Thus, they believe the trip to the Special Olympics should be paid with state money.

The legislature has two options:

OPTIONS

Option a: Fund the Special Olympics trip. The cost of this option is \$1,600.

Option b: Do not fund the Special Olympics trip.

Issue 6: Direct Care Staff

While keeping the total number of staff constant, Eastmont has reduced its number of direct care staff. Direct care staff include RN's, LPN's, and habilitation aides. The last legislature approved Eastmont's level of 44.97 direct care staff. At the end of fiscal 1982, Eastmont had 42.97 direct care staff. A .4 LPN position remained vacant all year, so the effective number of direct care staff was 42.57. The two positions which were changed are a .6 RN position and a 1.4 LPN. These positions were changed to habilitation training specialists.

During fiscal 1982, the average daily population was 39.26 seven-day residents and 13.63 five-day residents. The five-day average daily population includes a local student who attends Eastmont for half days. The institution was budgeted for 40 seven-day residents and 15 five-day residents.

The committee has two options:

OPTIONS

Option a: Approve the current staffing pattern.

Option b: Require Eastmont to increase its direct care staff while decreasing its indirect care staff. The cost difference is negligible.

BOULDER RIVER SCHOOL & HOSPITAL

BOULDER RIVER SCHOOL & HOSPITAL

	-----1985 Biennium-----		
	<u>FTE</u>	<u>General Fund</u>	<u>Total Funds</u>
	<u>FY '85</u>		
Executive Budget	447.6	\$22,669,630	\$22,766,369
LFA Current Level	<u>475.4</u>	<u>22,772,465</u>	<u>22,867,095</u>
Executive Over (Under) LFA	(27.8)	\$(102,835)	\$(100,726)
	=====	=====	=====

The major difference between the executive budget and the LFA current level is the population reduction in the executive budget. The executive budget assumes 25 residents will move from Boulder at the beginning of the biennium; ten will move to Eastmont and 15 to community group homes.

Other differences are in utilities, supplies, and contracted services. The executive budget allows approximately \$40,000 per year to purchase Attends, while the LFA current level treats this as an option.

BOULDER RIVER SCHOOL AND HOSPITAL

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	485.40	485.40	476.40	475.40	(1.9)
<u>Fund Source</u>					
General Fund Approp.	\$ 9,960,576	\$11,134,384	\$11,287,552	\$11,484,913	7.9
Other Funds Approp.	95,395	69,550	49,904	44,726	(42.6)
Funds Budget Amended	222,482	-0-	-0-	-0-	(100.0)
Total Funds	\$10,278,453	\$11,203,934	\$11,337,456	\$11,529,639	6.4
	=====	=====	=====	=====	===
<u>Expenditures by Object</u>					
Personal Services	\$ 8,298,761	\$ 9,404,908	\$ 9,477,269	\$ 9,460,622	6.9
Operating Expenses	1,564,853	1,723,538	1,815,604	2,020,199	16.6
Equipment	192,822	75,488	44,583	48,818	(65.1)
Total Operating Costs	\$10,056,436	\$11,203,934	\$11,337,456	\$11,529,639	7.5
Non-Operating Expend.	222,017	-0-	-0-	-0-	(100.0)
Total Expenditures	\$10,278,453	\$11,203,934	\$11,337,456	\$11,529,639	6.4
	=====	=====	=====	=====	===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Positions Authorized Last Session				
Option a.	\$ 26,859	\$ -0-	\$ 26,760	\$ -0-
Option b.	25,197	-0-	25,104	-0-
Option c.	1,662	-0-	1,656	-0-
2. Education				
Option a.	\$ 70,435	\$ -0-	\$ 87,138	\$ -0-
Option b.	Unknown			
3. Food Services				
Option a.	\$(16,371)	\$ -0-	\$(16,371)	\$ -0-
Option b.	(33,070)	-0-	(33,070)	-0-
Option c.	(50,815)	-0-	(50,815)	-0-
4. Closing Boulder	No Cost Figures Available			
5. Eastmont's 5-day Program	\$(77,000)	\$ -0-	\$(77,000)	\$ -0-
6. Attends Program	\$ 41,573	\$ -0-	\$ 44,068	\$ -0-

Boulder River School and Hospital provides services to mentally retarded children and adults. Approximately 220 residents are served. Because of lack of funding, no residents have been placed in the community so far in the 1983 biennium.

Current Level Adjustments

Three teachers and two teacher's aides have been deleted from the base. The legislature approved these positions last session to serve the school-age population. Because the number of residents under age 22 has decreased, these positions are no longer needed to serve school children. However, the agency has requested that the positions be added so that residents over age 21 can also be served.

A painter position which was authorized as an adaptive carpenter has also been deleted.

Boulder estimates that \$32,000 in Title I carry-over funds will be available in the 1985 biennium. Since Title I provides supplementary programs, one Title I position has been deleted and a .5 FTE Title I position has been retained.

Four other positions were deleted because they were filled less than 30 percent of the time in both fiscal 1981 and 1982. The custodial superintendent, equipment operator, and warehouse worker positions were all deleted.

Current level maintains Boulder's 1:1 ratio of direct care staff. Direct care staff include RN's, LPN's, habilitation aides, cottage supervisors, and nurses' aides.

Contracted services decreased because physical therapy expenses were not included. However, two physical therapy positions which were vacant all year are included under personal services. Also under contracted services, the cost of general liability insurance decreased \$22,000.

Current level expenses include \$44,583 in fiscal 1984 and \$48,818 in fiscal 1985 for equipment. Some of the larger purchases include a station wagon, 15-passenger van, enclosed linen carts, and a 42-passenger bus.

Vacancy savings at Boulder in fiscal 1982 was 9.33 percent. A 5 percent vacancy savings factor is recommended for the 1985 biennium.

Issue 1: Positions Authorized Last Session

Last session the legislature approved 25 new positions. Seventeen of these were to serve the school-age population. The newly authorized positions were five teachers, nine teacher's aides, a speech pathologist, an occupational therapist, a rehabilitation aide, an adaptive carpenter, a housekeeping supervisor, and six laundry workers. The institution hired a painter instead of an adaptive carpenter; hired six teachers and eight aides, instead of five teachers and nine aides; and hired a custodial superintendent (grade 12) instead of a housekeeping supervisor (grade 11).

The current level analysis deletes the painter and reduces the custodial superintendent from a grade 12 to a grade 11. The teacher who should have been an aide is deleted under Issue 2.

The following options may be considered:

OPTIONS

Option a: Add the painter and increase the custodial superintendent's grade to 12. This option costs \$27,000 per year.

Option b: Add the painter. This option costs \$25,000 per year.

Option c: Increase the custodial superintendent's grade to 12. This option costs \$1,600 per year.

Option d: Do not add the painter or increase the custodial superintendent's grade. This option is used as current level.

Issue 2: Education

Although Boulder and Eastmont serve the same type of person, they are not funded similarly in the area of resident training and education.

As the result of an Office of Civil Rights complaint, Boulder now provides education services to all residents under age 22. Some adult residents do not receive education services outside their cottages. Those adults who do receive services, receive between one and three hours per day.

On the other hand, Eastmont offers education and training to all its residents. Each resident receives four and one-half hours of classroom training per day.

State and federal laws require that all children between the ages of 6 and 18 be entitled to a free and appropriate education. In addition, Section 53-20-142(5), MCA, states:

"Residents shall have a right to receive suitable education and habilitation services regardless of chronological age, degree of retardation, or accompanying disabilities or handicaps."

Previous legislatures have funded positions for adult training and education at Eastmont, but not at Boulder, even though Boulder has previously requested funding for resident education and training.

Due to the reduction in the school-age population, not all the resources allocated for school children in the 1983 biennium will be needed to serve children in the 1985 biennium. Boulder has requested that it be allowed to use the extra resources for adults. Three teachers and one teacher's aide will not be needed for school children in fiscal 1984, and three teachers and two aides will not be needed in fiscal 1985. Although using these resources for adult services would provide additional services for adults, it would still not provide the residents of Boulder the same level of education services as Eastmont.

The legislature has three options:

OPTIONS

Option a: Allow the positions added last session to remain, using four positions in fiscal 1984 and five positions in fiscal 1985 to serve adults. This option would cost \$70,435 in fiscal 1984 and \$87,138 in fiscal 1985.

Option b: Fund the education program at Boulder to provide the same services as Eastmont. Cost figures have not been developed for this option.

Option c: Maintain current level for adults.

Issue 3: Food Services

The Governor's Council on Management has recommended that Boulder reduce staff in the food service operation by three cooks. The projected savings for this change is \$51,000. This recommendation has not been built into current level because it does not allow for vacation, sick leave,

or holidays taken by the cooks. The Governor's Council on Management recommended using food service workers to cover the cooks' vacation, sick leave, and holidays. The agency says the proposal to use food service workers to cover for cooks is not feasible. When the relief factor is considered for vacation, sick leave, and holidays, it is possible to delete one cook position.

The current level budget does not eliminate any of the cook positions. The legislature has the following options:

OPTIONS

Option a: Eliminate one cook position. This option would be feasible considering vacation, holidays, and sick leave. This option would save \$16,371.

Option b: Eliminate two cook positions. This option would save \$33,070.

Option c: Eliminate three cook positions. This option was recommended by the Governor's Council on Management and would save \$50,815. However, this option does not consider the vacation, sick leave, and holidays to which the cooks are entitled.

Option d: Keep all 11 cooks. This option maintains current level.

Issue 4: Closing Boulder River School and Hospital

Because of the high cost of resident care at Boulder, two groups have recommended that it be closed. The Governor's Council on Management recommended moving some residents to the community and the remaining population to the Warm Springs/Galen State Hospital where services would not be reduced. The DD Planning and Advisory Council also recommended closing Boulder.

The high cost of operating Boulder is caused by many factors. A major factor is the inefficient campus. As a result of deinstitutionalization, the population at Boulder has decreased from over 1,000 residents to the present level of 223. Thus, many of the facilities are underutilized. The heating system at Boulder is also inefficient. In fiscal 1982, the natural gas bill for Boulder was \$454,632--over \$2,000 per resident. In addition, the campus layout requires extensive transportation for residents.

The legislature may want to scrutinize the possibility of closing Boulder or having the Architecture and Engineering Division determine if the physical plant can be made more cost effective.

Issue 5: Changing 5-Day Program to 7-Day Program at Eastmont

Eastmont has submitted a modified budget request to convert its 5-day program to a 7-day program. If this modified proposal is approved, ten residents from Boulder would move to Eastmont. Thus, costs at Boulder would be reduced. The Department of Institutions has stated that a cottage could be closed at Boulder if a total of 20 persons were to leave. However, some savings to Boulder would result by moving just ten residents.

OPTIONS

Option a: Move ten residents to Eastmont. This option will save Boulder \$77,000 per year.

Option b: Keep Boulder's population at 225. This is assumed in current level.

Issue 6: Attends Program

Boulder has requested \$41,573 in fiscal 1984 and \$44,068 in fiscal 1985 to implement the Attends Program for incontinent (not toilet trained) residents. Boulder believes this program probably will not save money, but will increase efficiency with the staff and provide a better quality of care for the residents.

The cost is for purchase of the disposable briefs. Currently, Boulder buys about 12 dozen cloth diapers a year. The manufacturer of Attends projects savings in the area of laundry costs, but Boulder's analysis does not indicate significant savings.

The legislature has two options:

OPTIONS

Option a: Fund the Attends Program. This option will cost \$41,573 in fiscal 1984 and \$44,068 in fiscal 1985.

Option b: Do not fund the Attends Program.

DEPARTMENT OF INSTITUTIONS

WARM SPRINGS/GALEN STATE HOSPITAL

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	704.37	\$37,613,676	\$40,984,177
LFA Current Level	<u>670.23</u>	<u>35,248,535</u>	<u>38,351,739</u>
Executive Over (Under) LFA	34.14	\$ 2,365,141	\$ 2,632,438
	<u>=====</u>	<u>=====</u>	<u>=====</u>

The major difference between the executive budget and current level is in personal services. The executive budget includes funds for additional direct care staff to care for the anticipated increased population. The LFA current level does not include the additional direct care staff in current level, but does consider them as an option for the legislature to consider.

Another difference in personal services is in the number of vacant positions deleted. The executive budget deleted 14.7 vacant positions, while the LFA current level deleted 26.6.

Operating expenses also differed in utilities. The executive budget includes utilities at a higher amount than current level.

WARM SPRINGS/GALEN STATE HOSPITAL

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	758.97	758.97	710.23	670.23	(9.0)
<u>Fund Source</u>					
General Fund Approp.	\$16,781,933	\$18,578,269	\$18,011,217	\$17,237,318	(0.3)
Other Funds Approp.	1,446,430	1,550,657	1,538,413	1,564,791	3.5
Funds Budget Amended	<u>228</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$18,228,591 =====	\$20,128,926 =====	\$19,549,630 =====	\$18,802,109 =====	0.0 ===
<u>Expenditures by Object</u>					
Personal Services	\$15,234,433	\$16,777,165	\$15,934,137	\$15,057,990	(3.2)
Operating Expenses	2,895,118	3,284,510	3,449,102	3,709,259	15.8
Equipment	<u>99,040</u>	<u>67,251</u>	<u>166,391</u>	<u>34,860</u>	<u>21.0</u>
Total Expenditures	\$18,228,591 =====	\$20,128,926 =====	\$19,549,630 =====	18,802,109 =====	0.0 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Direct Care Staff				
Option a.	No Cost		No Cost	
Option b.	\$(125,000)	\$ -0-	\$(125,000)	\$ -0-
2. Population Increase				
Option a.	\$ 492,145	\$ -0-	\$ 492,591	\$ -0-
Option b.	361,290	-0-	362,238	-0-
3. Deleted Positions (up to)	\$ 554,152	\$ \$ -0-	\$ 554,152	\$ -0-
4. Food Service Consolidation	\$(156,000)	\$ -0-	\$(156,000)	\$ -0-
5. Radiologist Contract	\$ 25,379	\$ -0-	\$ 28,244	\$ -0-
6. Relocation Expenses/ Termination Pay				
Option a.	\$ 5,000	\$ -0-	\$ 15,000	\$ -0-
Option b.	-0-	-0-	18,222	-0-
7. Eliminate Alcohol/Drug Programs	\$(514,500)	\$(1,385,500)	\$(473,000)	\$(1,427,000)
8. Sheriffs Reimbursement				
Option a.	\$ 8,239	\$ -0-	\$ 8,639	\$ -0-
Option b.	15,151	-0-	15,888	-0-
9. Funding	\$(171,000)	\$ 171,000	\$(162,000)	\$ 162,000

Warm Springs/Galen State Hospital is the consolidation of Warm Springs and Galen. Services are administered from both campuses, but the institutions have combined administrative functions. The Warm Springs campus provides evaluation and psychiatric treatment for youth and adults who are mentally ill. The Galen campus has alcohol and drug treatment programs. In addition, the Galen campus provides treatment for tuberculosis and silicosis and provides acute medical services for patients from the Warm Springs campus.

Population

In the 1983 biennium, Warm Springs/Galen State Hospital was budgeted for 315 residents on the Warm Springs campus and 195 residents on the Galen campus. The actual average daily population in fiscal 1982 was 323.3 residents on the Warm Springs campus and 180.8 residents on the Galen campus. The 1985 biennium budget assumes an average daily population of 340 Warm Springs residents in fiscal 1984 and 310 in fiscal 1985. The drop in fiscal 1985 is due to moving the children's unit to the Youth Treatment Center in Billings. The Galen population is expected to remain at 181.

Current Level Adjustments

A total of 45.74 positions in fiscal 1984 and 85.74 positions in fiscal 1985 have been deleted. Table 1 shows these positions.

Table 1
Warm Springs/Galen Deleted Positions in Fiscal 1984 and 1985

<u>Reason for Deletion</u>	<u>FTE Deleted FY 1984</u>	<u>FTE Deleted FY 1985</u>
Title I Positions	1.25	1.25
Radiologist Changed to Contracted Basis	.10	.10
Food Service Consolidation	17.79	17.79
Childrens Unit Move to Billings	-0-	43.00
Vacant First 5 Months of Fiscal 1983 and More Than 50 % fiscal 1982	<u>26.60</u>	<u>23.60</u>
Total	45.74 =====	85.74 =====

The deletions due to food service consolidation and vacant positions are discussed as Issues 3 and 4.

Personal services includes \$115,195 in fiscal 1984 and \$114,754 in fiscal 1985 for salaries to patient workers.

Operating expenses increased due to inflation. Audit costs of \$28,000 have been included in fiscal 1984. Because the Children's Unit will move to Billings in June 1984, \$109,000 of current level operating expenses have been removed from the Warm Springs budget.

Current level includes \$166,391 in fiscal 1984 and \$34,860 in fiscal 1985 for equipment purchases. Some of the larger items are a flatwork ironer, food van, tray system, washer and dryer motors, water softener, and paging system.

Vacancy savings in fiscal 1982 was 7 percent. The vacancy savings factor recommended for the 1985 biennium is 3 percent .

Issue 1: Direct Care Staff/Galen Campus

Last session Warm Springs was authorized 243.48 direct care positions and Galen was authorized 89.73. At the end of fiscal 1982, Warm Springs had 240.79 direct care positions and Galen had 88.48 (not counting Galen's special duty aides who formerly were security guards). In addition, Warm Springs left two psychiatric nurse positions and one LPN position vacant most of fiscal 1982 and all of the first five months of fiscal 1983. The table below displays the direct care changes.

Table 2
Direct Care Staff - Warm Springs/Galen State Hospital

	<u>Direct Care Positions Authorized</u>	<u>Direct Care Positions Changed</u>	<u>Direct Care Positions Vacant</u>	<u>Direct Care Positions Filled</u>
Warm Springs	243.48	2.69	3.0	237.79
Galen	<u>89.73</u>	<u>1.25</u>	<u>-0-</u>	<u>88.48</u>
Total	333.21 =====	3.94 =====	3.0 =====	326.27 =====

Thus, there was a total reduction of 6.94 direct care FTE. During this time, the population at Warm Springs increased from an anticipated 315 residents to an actual average daily population of 323; Galen's population dropped from 195 to 181. Warm Springs has submitted a modified request to add 27 new direct care workers because of the increased population. The modified request is discussed as a separate issue. Galen's direct care staff has not been reduced, because the population decrease was in the alcohol and drug areas where a certain minimum staffing level is needed.

Direct care positions are important because they provide the day-to-day contact with the residents. A proper direct care ratio ensures the residents will be adequately supervised.

Current level retains the vacant direct care positions. However, if the institution does not plan to fill the positions with direct care workers, the legislature may want to delete the positions.

OPTIONS

The legislature has three options.

Option a: Fill all direct care positions authorized last session with direct care personnel. There would be no cost for this option.

Option b: Delete the positions which were authorized but not used as direct care positions. This option will save \$125,000 per year.

Option c: Approve the direct care staffing ratio.

Issue 2: Population Increase

In fiscal 1982, Warm Springs budget assumed an average daily population of 315 residents. The actual average daily population in fiscal 1982 was 323.3. The institution estimates the average daily population will increase to 340 in the 1985 biennium. The department has requested an additional 27.07 FTE (5.47 LPN, 18.42 aides, 3.18 nurses) to care for the increased population. The following table shows that 19.33 additional FTE are required to maintain the direct care ratio approved last session.

Table 3
Direct Care Staff Needed for Warm Springs Campus

	Ratio Authorized 1982	Total Staff Authorized 1982 (Pop. = 315)	Total Staff Needed for 340 Residents	Additional Staff Needed
LPN	1:6.4	49.22	53.13	3.91
Psychiatric/Special Duty Aide	1:1.9	165.80	178.95	13.15
Psychiatric Nurse	1:11	28.64	30.91	2.27
Total		243.66 =====	262.99 =====	19.33 =====

An additional \$34,475 in fiscal 1984 and \$36,675 in fiscal 1985 is required for food, drugs, and clothing for the increased population. The legislature has the following options:

OPTIONS

Option a: Approve the agency's request for 27.07 additional direct care staff. This option would cost \$492,145 in fiscal 1984 and \$492,591 in fiscal 1985.

Option b: Authorize 19.33 additional direct care staff. Using all the direct care positions authorized in the last session and the 19.33 additional direct care positions brings the direct care ratio up to that authorized by the last legislature. This option would cost \$361,290 in fiscal 1984 and \$362,238 in fiscal 1985.

Option c: Do not authorize additional direct care staff.

Issue 3: Deleted Positions

A total of 26.6 nondirect care positions have been deleted because they were vacant for the first five months of fiscal 1983 and were vacant for more than half of fiscal 1982. Table 3 lists these positions and shows what percentage of time they were filled in fiscal 1982.

Table 4
Warm Springs/Galen Deleted Positions
Nondirect Care Only

Pos. #	Title	# FTE	% filled in fiscal 1982	% filled in fiscal 1983 (through 11/26/82)	Fiscal 1984 Salary and Benefits
28	Psychologist	.5	0	0	\$ 15,926
107	Medical Records Clerk	1.0	0	0	14,896
113	General Office Clerk	.6	15	0	8,939
127	Food Service Manager	1.0	0	0	19,663
179	Laundry Worker	.2	0	0	2,980
180	Laundry Worker	1.0	23	0	14,896
191	Custodial Worker	1.0	0	0	13,946
255	Cook II	1.0	2	0	15,920
315	Special Duty Aide	.5	0	0	9,152
322	Recreation Therapist	1.0	0	0	22,810
327	Personnel Assistant	1.0	0	0	19,663
329	Cosmetologist	1.0	41	0	17,057
423	Custodial Worker	1.0	0	0	13,752
424	Custodial Worker	1.0	0	0	13,752
425	Custodial Worker	1.0	0	0	13,752
2069	Human Services Mgr.	1.0	40	0	31,851
90024	Medical Records Clerk	.2	0	0	2,619
90038	Food Service Worker	1.0	0	0	13,946
135	Rehabilitation Aide	1.0	32	0	15,920
227	Alcohol Counselor	1.0	0	0	19,663
267	Alcohol Counselor	1.0	0	0	19,663
2010	Physician	1.0	10	0	68,637
2048	Teacher's Aide	1.0	41	0	17,988
2051	Occupational Therapist	1.0	0	0	22,810
2115	Administrative Officer	1.0	0	0	26,933
2672	Administrative Officer	1.0	14	0	26,933
3070	Food Service Worker	.6	0	0	8,368
3102	Food Service Worker	1.0	0	0	13,946
4001	Cook	1.0	0	0	15,920
4103	Psychologist	1.0	10	0	31,851
Total		26.6			\$554,152
		====			=====

If the institution can provide justification, the legislature may want to fund some of these positions. The costs of this option range up to \$554,152, depending on which positions are funded.

Issue 4: Food Service Consolidation

As a result of the projected consolidation of the Warm Springs and Galen food service operations, 17.79 food service positions have been deleted. This allows Warm Springs to deliver food in bulk to Galen. The institution estimates an additional 10.63 food service positions could be eliminated if a tray system of delivering food were to be used. At this time, the institution is looking at tray systems. However, a tray system which is able to withstand transportation in -30° weather has not yet been found.

OPTIONS

The legislature has two options:

Option a: Fund the food service operation assuming a tray system will be used. The additional 10.63 positions which can be deleted will save approximately \$156,000 per year. This option would be contingent upon the institution finding a suitable tray system. The one-time costs for purchase of the tray system would also need to be appropriated.

Option b: Fund the institution to deliver food in bulk from Warm Springs to Galen. This option has been included as current level.

Issue 5: Radiologist Contract

Warm Springs/Galen State Hospital uses a radiologist to interpret x-rays. The radiologist works as a .1 FTE on the Galen campus and as a contractor on the Warm Springs campus. At Warm Springs, the radiologist reads all the x-rays; at Galen, he reads about 15 percent of the x-rays (the Galen doctors usually read their own x-rays).

The radiologist was paid \$18,794 in fiscal 1982--\$5,836 as salary and \$12,958 as contracted fees. The institution has requested \$47,763 in fiscal 1984 and \$50,628 in fiscal 1985 for the radiologist. The radiologist would be paid entirely under the contract--he would no longer be a state employee. The additional money reflects both an increase in charges and an increase in work load. Currently, the radiologist is paid based on the

relative value of the x-ray and a conversion factor of 4.4. He insists that the conversion factor be raised to 7.1, which is more in line with neighboring hospitals. The 7.1 conversion factor is a 61 percent increase over the 4.4 factor.

In addition to the increased fees, the institution wants the radiologist to examine all x-rays. The institution believes that a liability would exist if a staff doctor read the x-rays incorrectly and a lawsuit resulted. The institution estimates that the radiologist reads 15 to 20 percent of the x-rays at Galen and all the x-rays at Warm Springs.

The following table shows the work load and compensation for the radiologist in previous fiscal years. The number of x-rays read is based on 15 percent of the x-rays at Galen and all the x-rays at Warm Springs.

Table 5
Radiologist - Work Load and Compensation

	-----X-rays Taken-----			Approximate X-rays Read by Radiologist	Total Compensation	Average Cost Per X-ray Read
	<u>Galen</u>	<u>Warm Springs</u>	<u>Total</u>			
FY 1980	2,553	1,369	3,922	1,752	\$14,050	\$8.02
FY 1981	2,519	1,591	4,110	1,969	16,683	8.47
FY 1982	2,392	1,640	4,032	1,999	18,794	9.40
	-----Projected-----					
FY 1983	2,392	1,640	4,032	1,999	NA	NA
FY 1984	2,392	1,640	4,032	4,032	47,763	11.85
FY 1985	2,392	1,640	4,032	4,032	50,628	12.56

Contracted services for the radiologist of \$21,116 in fiscal 1984 and \$22,384 in fiscal 1985 have been included as LFA current level. The institution requests an additional \$25,379 in fiscal 1984 and \$28,244 in fiscal 1985 for the radiologist.

The legislature may consider two options.

OPTIONS

Option a: Fund some or all of the additional \$25,379 in fiscal 1984 and \$28,244 in fiscal 1985.

Option b: Retain the radiologist at the current contracted amount, increased only for inflation.

Issue 6: Relocation Expenses/Termination Pay

Warm Springs has requested funding for termination pay and relocation expenses for employees affected by the children's unit moving to Billings. Currently, there are 44 employees in the children's unit at Warm Springs. Twenty of these employees have said they would like to move to Billings. Relocation expenses were estimated to be \$1,000 per employee for the 20 employees who have indicated they may move.

Termination pay for unused sick and vacation leave is estimated to be \$18,222 for the employees who will not move. Termination pay due to normal attrition is not funded separately, but is paid out of current level personal services. The legislature may want to consider this situation differently and fund termination pay. The legislature may consider these options:

OPTIONS

Option a: Fund the relocation expenses for employees who will move to Billings to the Youth Treatment Center. This option will cost \$5,000 in fiscal 1984 and \$15,000 in fiscal 1985.

Option b: Fund the termination pay for employees who will not move to Billings. This option will cost \$18,222 in fiscal 1985.

Option c: Do not fund either relocation expenses or termination pay.

Issue 7: Eliminate Alcohol and Drug Programs

The Governor's Council on Management recommended that Galen's alcohol and drug treatment center be eliminated. The council stated that other programs in the state, which also receive state funds, provide the services at less cost. According to the council, treatment of patients in state funded community centers could save \$539,000. However the savings to Warm Springs/Galen would be approximately \$1,900,000 per year. The difference between \$1,900,000 and \$539,000 would be used by the Department of Institutions to fund community alcohol and drug programs.

The Department of Institutions says this recommendation is not feasible. Department figures show that Galen costs are less expensive than

community program costs. Also, no community programs offer the same drug treatment program as Galen.

The legislature may consider two options.

OPTIONS

Option a: Close the alcohol and drug programs at Galen. This option would save \$1,900,000 to Warm Springs/Galen.

Option b: Continue the alcohol and drug programs at Galen.

Issue 8: Sheriffs Reimbursement

Last session the legislature amended Section 46-14-221 (5), MCA, to require that Warm Springs pay for transportation to and from the institution for court ordered evaluation commitments. Previously, the county of the defendant paid the transportation costs. No money was appropriated to cover these costs, and Warm Springs reimbursed travel expenses only when requested. In fiscal 1982 the cost of this program was \$2,886. This biennium, Warm Springs is requesting money to reimburse counties for travel costs. To calculate the costs of the required reimbursement, the institution looked at all court ordered evaluation admissions in calendar year 1981 and projected the travel cost to the county of origin. Using this analysis, \$7,505 would have been needed to cover the transportation cost of the 56 admissions. The inflated costs for fiscal 1984 and 1985 are \$8,239 and \$8,639 respectively. Because the number of admissions and the county of origin are variable, Warm Springs is requesting \$15,151 in fiscal 1984 and \$15,888 in fiscal 1985. The legislature may want to line item this request.

OPTIONS

Option a: Approve \$8,239 for fiscal 1984 and \$8,639 for fiscal 1985 for transportation of court ordered evaluation commitments.

Option b: Approve the agency's request of \$15,151 for fiscal 1984 and \$15,888 for fiscal 1985 for transportation of court ordered evaluation commitments.

Issue 9: Funding

Earmarked alcohol funds of \$1,385,500 in fiscal 1984 and \$1,427,000 in fiscal 1985 have been included to support the alcohol program at Galen. An additional \$171,000 of general fund in fiscal 1984 and \$162,000 in fiscal 1985 of general fund is also used to fund the alcohol program. In fiscal 1982, \$115,482 of general fund was spent in addition to the earmarked alcohol funds.

The legislature may want to consider funding the alcohol program entirely with earmarked alcohol funds. This would reduce the alcohol pass-through funds to the counties. General fund would be reduced \$171,000 in fiscal 1984 and \$162,000 in fiscal 1985.

The legislature may consider two options.

OPTIONS

Option a: Fund the alcohol program entirely with alcohol funds. This option would reduce general fund by \$171,000 in fiscal 1984 and \$162,000 in fiscal 1985.

Option b: Retain some general fund support for the alcohol program. This option is included as current level.

DEPARTMENT OF INSTITUTIONS

BOARD OF PARDONS

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	4.00	\$283,815	\$283,815
LFA Current Level	<u>4.00</u>	<u>264,342</u>	<u>264,342</u>
Executive Over (Under) LFA	0.00 =====	\$ 19,473 =====	\$ 19,473 =====

The executive budget is higher than current level due primarily to operating expenses. Current level has eliminated in-state staff personal car expenses and in-state staff car rental, as the board's staff acquired an automobile during Special Session II. Out-of-state travel has been reduced, as now the board hearings for prisoners held in out-of-state jails are performed in that state. The board obtained an additional .5 FTE secretary during the second special session. Consequently, expenditures incurred in fiscal 1982 for a court reporter to transcribe hearing proceedings and charges for the transcripts were not continued in current level.

BOARD OF PARDONS

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	3.50	4.00	4.00	4.00	6.6
<u>Fund Source</u>					
General Fund Approp.	<u>\$109,959</u>	<u>\$133,178</u>	<u>\$132,612</u>	<u>\$131,730</u>	<u>8.7</u>
Total Funds	<u>\$109,959</u> =====	<u>\$133,178</u> =====	<u>\$132,612</u> =====	<u>\$131,730</u> =====	<u>8.7</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$ 88,018	\$102,639	\$104,806	\$104,664	9.9
Operating Expenses	21,821	23,739	27,414	27,066	19.6
Equipment	<u>120</u>	<u>6,800</u>	<u>392</u>	<u>-0-</u>	<u>(94.3)</u>
Total Operating Costs	<u>\$109,959</u> =====	<u>\$133,178</u> =====	<u>\$132,612</u> =====	<u>\$131,730</u> =====	<u>8.7</u> ===

The Board of Pardons was created in 1955 to oversee the Montana inmate parole and furlough programs. It also reviews requests for executive clemency and makes recommendations to the Governor concerning those requests. The board is required to meet at the state prison at least twice a month.

The board consists of three members and an auxiliary member who are appointed by the Governor. At least one member is required to have particular knowledge of Indian culture and problems.

Current Level Adjustments

During the second special session of the 47th Legislature, the board's staff was increased by a .5 FTE secretary to handle the increased work load and to transcribe the minutes of parole revocation hearings. This function is required by a district court ruling. Adjustments to current level include the elimination of \$72 for transcript processing costs and \$1,176 for a court reporter to perform this function.

Actual vacancy savings during fiscal 1982 was less than .2 percent, or \$150. No vacancy savings factor is recommended for the 1985 biennium.

Special Session II of the legislature also approved the purchase of a staff automobile. As a result, operating costs allocated for insurance, gasoline, and vehicle repairs and maintenance have increased. Staff travel expenses for personal car mileage, car rental, and commercial transportation costs have been eliminated.

It has been determined that parole hearings for prisoners held in other states will be performed by those states. Expenditures for communication have been increased and out-of-state travel has been limited.

Fiscal 1984 contains \$2,300 for legislative audit fees.

DEPARTMENT OF INSTITUTIONS

SWAN RIVER YOUTH FOREST CAMP

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	25.33	\$1,597,481	\$1,787,894
LFA Current Level	<u>25.33</u>	<u>1,527,397</u>	<u>1,718,733</u>
Executive Over (Under) LFA	0.00	\$ 70,084	\$ 69,161
	=====	=====	=====

The executive budget is higher than current level in three areas: food costs, building and grounds maintenance, and allowances. Food has been adjusted to reflect the increase in population based upon actual fiscal 1982 expenditures. One-time buildings and grounds repairs and maintenance expenditures were removed, and no new one-time expenses were included.

The LFA current level eliminated one teaching position and related expenses such as text books and GED examination fees, as future support through the federal ESEA Title I Program seems unlikely. The executive supported this activity with general fund. The executive eliminated one social worker position. This position has been retained in the LFA current level.

SWAN RIVER YOUTH FOREST CAMP

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	27.33	26.33	25.33	25.33	(5.6)
<u>Fund Source</u>					
General Fund Approp.	\$676,570	\$752,162	\$763,834	\$763,554	6.9
Other Funds Approp.	93,755	96,080	95,545	95,800	(0.8)
Funds Budget Amended	<u>19,894</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$790,219 =====	\$848,242 =====	\$859,379 =====	\$859,354 =====	4.8 ===

Expenditures by Object

Personal Services	\$543,448	\$589,539	\$579,405	\$578,562	2.2
Operating Expenses	237,703	258,703	267,461	278,589	10.0
Equipment	<u>9,068</u>	<u>-0-</u>	<u>12,513</u>	<u>2,203</u>	<u>62.2</u>
Total Operating Costs	\$790,219 =====	\$848,242 =====	\$859,379 =====	\$859,354 =====	4.8 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Title I Teacher	\$11,633	\$ -0-	\$11,596	\$ -0-
2. Convert Kitchen to Propane	\$ 5,647	\$ -0-	\$(3,483)	\$ -0-
3. Vo-Ed Program				
Option a.	\$32,930	\$ -0-	\$26,059	\$ -0-
Option b.	26,026	-0-	25,429	-0-
4. Psychological Services	\$ 5,830	\$ -0-	\$ 6,180	\$ -0-

The Swan River Youth Forest Camp is a minimum security work camp for inmates transferred from the state prison who are between the ages of 18 and 26. The inmates work with the Forestry Division of the Department of Natural Resources and Conservation and are involved in several forestry projects such as thinning, seeding, planting trees, and campground and recreational area maintenance.

The capacity of the camp is 54 inmates. This is an increase of four from the previous biennium, obtained through a more efficient utilization of space. The camp is projected to be filled to capacity throughout the biennium due to the crowded conditions at the prison. The average length of stay is approximately eight months, and 84 inmates are expected to pass through the institution annually.

Current Level Adjustments

Personal Services - All personal services have been included at current level except the funding required for one FTE teacher. The teacher has been eliminated from the budget as the position's funding in the past was derived from ESEA Title I funds. The future levels of similar funds to provide supplementary educational services is currently unknown. The department has requested that the general fund pick up the expenses related to this teacher (see Issue 1).

Actual vacancy savings was 5 percent in fiscal 1982. A vacancy savings factor of 3.5 percent is recommended for the 1985 biennium.

Operating Expenses - Contracted services have increased over current level due to an increase in legal services contracted through the University of Montana Law School. Medical, optometry, and dentistry fees have been transferred to the Corrections Division, Medical Expenses Program.

Supplies and materials have increased \$5,091 to reflect the increase in population from 50 to 54 inmates.

Travel expenses for training have been reduced as the Corrections Division now has a full-time staff trainer.

Electricity has been increased to provide funds to power the new gymnasium at the camp. Educational and recreational rent has been eliminated as the camp no longer rents the Big Fork gymnasium.

Maintenance expenses for the buildings and grounds have been reduced to remove one-time expenditures that were approved for the 1983 biennium.

The agency also requested \$8,000 for the one-time expense of constructing a new septic system and drain field. This request is premature as no study has been done to determine exactly what needs to be done and how it should be done. In the 1983 biennium, \$3,947 was appropriated for

upgrading the septic system. These funds were spent, but the draining problem was not solved. The legislature should closely scrutinize the camp's current sewage disposal system before authorizing funds for the improvement of the system.

Allowances have been increased from \$2.20 per day to \$2.37 per day, effective in fiscal 1984. Separation allowances (gate money) in the amounts of \$6,210 in fiscal 1984 and \$6,555 have been included in current level. The legislature may wish to stipulate that gate money is only paid to those inmates who do not have funds in excess of the \$100 stipulated as the personal maximum allowance in Special Session I in 1981.

Equipment - Equipment items in the current level budget are a 12-passenger van, 4 hand-held radios, 2 mobile radios, an office calculator, and a suction pump. Total costs are \$12,513 in fiscal 1984 and \$2,203 in fiscal 1985.

Items requested, but not included, are a 4-door sedan, 2 secretarial and 1 executive office chairs, 72 stacking chairs, a conference table, ingredient bins, and a sewer auger.

Funding Sources - No funds are expected to be received from the federal government through ECIA, Chapter 1. This is the former ESEA, Title 1 Program.

Federal reimbursements for federal inmates' room and board is estimated on an average of two federal inmates per year. This amounts to \$41 per day. Also included in the federal reimbursement for federal inmates are contract improvement funds at the rate of \$4 per day.

The substance abuse counselor is a position funded by earmarked alcohol funds. This represents \$24,942 for both fiscal 1984 and 1985.

In addition, \$12,500 is expected to be received each year through the National School Lunch Program. The clothing store revolving account is expected to generate revenues of \$25,533 each year to maintain the store's inventory.

Issue 1: Request to Retain Title I Teacher

With the uncertainty of continued educational support from the federal government, Swan River Youth Forest Camp has requested general fund support to continue the Title I Program. The program was to provide

supplementary educational services to disadvantaged youth. The program consists of one teacher who does all phases of education except the vocational training. This includes preparation for the GED exam, remedial education, and special education. Currently 30 percent of the inmates at the camp complete their GED exam successfully.

OPTIONS

Option a: Provide general fund support to continue the educational program. This will increase general fund requirements by \$11,633 in fiscal 1984 and \$11,596 in fiscal 1985 for the teacher's salary and GED testing fees. If federal support is made available through the ECIA, Chapter I Block Grants, general fund support should be reduced by the same amount.

Option b: Do not provide general fund support for the educational program. Personal services expenditures will not be reduced as the position has been removed from the current level base.

Issue 2: Request to Convert Kitchen Equipment to Propane

Swan River Youth Forest Camp submitted an equipment and repairs and maintenance request to convert their ovens, range, griddle top, and steam table to propane in order to reduce maintenance costs and utility charges. These appliances are currently powered by electricity. The camp experienced 102 hours of electrical power failures in fiscal 1982 during meal preparation times. The conversion to propane is estimated by the camp to save \$1,800 in utility charges in fiscal 1984.

Appliance repair costs of \$1,400 were incurred during fiscal 1982. This high repair and maintenance cost is due primarily to the fact that the electrical appliances are approximately 15 years old and special parts have to be ordered to repair them. It is expected that at least one of the electrical appliances will have to be replaced in the coming biennium.

OPTIONS

Option a: Fund the equipment conversion request at a cost of \$5,647 in fiscal 1984 and a savings of \$3,483 in fiscal 1985. The fiscal 1985 savings is a result of the decrease in electricity cost as propane costs are expected to increase at a slower rate than do electrical costs.

Option b: Do not fund the request.

Issue 3: Request to Continue the Vocational-Educational Program

The agency has submitted a modified request for general fund support to continue the vo-ed program at the camp. The purpose of the program is to provide pre-vocational training opportunities to the residents at the camp in order to prepare them to attend more formal training, serve an apprenticeship, or find employment. Four areas of training have been offered: automotive, welding, machine shop, and small engine repair.

The program has been funded through the OSPI since December of 1981. This program was added through the budget amendment process and is not included in the current level base. The agency does not anticipate further funding from OPI.

During the 1981 session, the agency asked that this position be general fund supported because they anticipated no federal funds for the 1983 biennium. The 1981 Legislature denied the request.

While in operation, the program has had 28 inmates enrolled with the following results: eight are still enrolled in training, six are employed, six are enrolled in vo-techs, two are apprentices, and the status of the remaining six after leaving Swan River is unknown.

OPTIONS

Option a: Fund the agency's entire request package of \$32,930 in fiscal 1984 and \$26,059 in fiscal 1985. This includes the addition of instructors' salaries, educational equipment, and tools and equipment for the shop; and the deletion of the funds included for automotive repair.

Option b: Fund only the instructor's salary and the educational equipment at a cost of \$26,026 in fiscal 1984 and \$25,429 in fiscal 1985. This option does not include the purchase of any additional shop equipment.

Option c: Do not fund the program and retain vehicle maintenance costs in current level expenditure base.

Issue 4: Request to Increase Consulted Psychologist Services

The Swan River Camp has submitted a modified request to increase the psychologist's visits from twice monthly to once weekly. This will be

an increase of 22 days per year at a requested cost of \$250 per day, or \$5,500 per year in fiscal 1983. The justification is that the request for psychological evaluations by the Parole Board, treatment and evaluation of sex offenders, increased population, and residents in need of regular psychological treatment require more than the current level, twice monthly consultations.

The camp requested an increase to weekly visits from the psychologist during the 1981 Legislature. This request was turned down and bi-monthly visits were funded at a cost of \$150 per visit. This has been included at current level.

OPTIONS

Option a: Fund the request. This will increase general fund expenditures by \$5,830 in fiscal 1984 and \$6,180 in fiscal 1985.

Option b: Do not fund the request and remain at the current level of 22 visits per year at \$169 per visit in fiscal 1984 and \$179 per visit in fiscal 1985.

DEPARTMENT OF INSTITUTIONS

MONTANA STATE PRISON

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	324.05	\$18,584,084	\$25,245,879
LFA Current Level	<u>327.17</u>	<u>18,098,880</u>	<u>23,208,781</u>
Executive Over (Under) LFA	(3.12)	\$ 485,204	\$ 2,037,098
	=====	=====	=====

The executive budget exceeds current level by \$485,024 in general fund over the biennium, and exceeds current level by \$2,037,098 in total funds over the biennium. The major differences are summarized below by program area.

CARE AND CUSTODY

The executive budget differs from this current level analysis primarily due to three causes.

First, the executive has deleted 3.12 FTE from current level because these positions were not filled for a portion of fiscal 1983. In addition, personal services differ a total of \$85,000 per year because current level had adjusted overtime and differential to actual needs when the special session security posts were taken into consideration.

Second, operating expenses differ approximately \$70,000 per year due to adjustments to the current level base for increases due to expenses directly contributable to an increase in inmates, such as food. Several increases requested would not increase with an increase in inmates.

Third, current level includes no funds allocated for equipment. This is discussed further in the issues section.

PRISON RANCH & DAIRY

There are three major differences between current level and the executive budget. The executive included all livestock requested for an increase of \$104,785 for the biennium over current level.

DEPARTMENT OF INSTITUTIONS

The executive included all equipment requested. Current level did not include any equipment but submitted the request to the legislature as an option. This represents a difference of \$359,000 over the biennium.

The executive budget expands operating expenses by \$756,426 over the biennium above current level.

PRISON INDUSTRIES

The executive budget expanded the Industries Program by \$214,704 for the biennium. Since no justification accompanied the requested expansion, the LFA did not include the increase.

LICENSE PLATE FACTORY

This analysis retained utilities at current level. The executive calculated utilities based on the latest billing charges to the factory. This represents a difference of approximately \$2,400 over the biennium.

MONTANA STATE PRISON

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	278.79	326.57	327.17	327.17	8.0
<u>Fund Source</u>					
General Fund Approp.	\$7,430,477	\$ 9,385,930	\$ 8,959,340	\$ 9,139,540	7.6
Other Funds Approp.	2,070,002	2,623,165	2,479,429	2,630,472	8.8
Funds Budget Amended	<u>62,217</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$9,562,696 =====	\$12,009,095 =====	\$11,438,769 =====	\$11,770,012 =====	7.5 ===
<u>Expenditures by Object</u>					
Personal Services	\$5,616,194	\$ 7,157,051	\$ 7,383,948	\$ 7,372,749	15.5
Operating Expenses	3,602,444	4,422,514	3,892,095	4,224,774	1.1
Equipment	<u>344,058</u>	<u>299,530</u>	<u>162,726</u>	<u>172,489</u>	<u>(47.9)</u>
Total Operating Costs	\$9,562,696	\$11,879,095	\$11,438,769	\$11,770,012	8.2
Non-Operating Expend.	<u>-0-</u>	<u>130,000</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	\$9,562,696 =====	\$12,009,095 =====	\$11,438,769 =====	\$11,770,012 =====	7.5 ===

The prison budget is divided into several components in this analysis. These include care and custody, the ranch and dairy, the license plate factory, the canteen, and the industries program.

CARE AND CUSTODY

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	256.79	304.57	302.57	302.57	7.7
<u>Fund Source</u>					
General Fund Approp.	\$7,371,570	\$9,307,930	\$8,959,340	\$9,139,540	8.5
Other Funds Approp.	101,230	73,980	111,235	115,508	29.4
Funds Budget Amended	<u>2,459</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	<u>\$7,475,259</u> =====	<u>\$9,381,910</u> =====	<u>\$9,070,575</u> =====	<u>\$9,255,048</u> =====	<u>8.7</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$5,097,912	\$6,607,776	\$6,741,434	\$6,731,364	15.0
Operating Expenses	2,316,268	2,572,564	2,329,141	2,523,684	(0.7)
Equipment	<u>61,079</u>	<u>71,570</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Operating Costs	\$7,475,259	\$9,251,910	\$9,070,575	\$9,255,048	9.5
Non-Operating Expend.	<u>-0-</u>	<u>130,000</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Expenditures	<u>\$7,475,259</u> =====	<u>\$9,381,910</u> =====	<u>\$9,070,575</u> =====	<u>\$9,255,048</u> =====	<u>8.7</u> ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Rental Housing	\$(26,000)	\$ -0-	\$(31,000)	\$ -0-
2. Equipment	\$388,021	\$ -0-	\$149,232	\$ -0-

The Care and Custody unit of the prison is responsible for the basic upkeep of the inmates. This budget unit includes the security and administration costs as well as all costs associated with inmates, their housing, food, and activities other than work programs.

Current Level Adjustments

An extensive discussion was held with the department, prison officials, and the budget office regarding the calculation of overtime at the prison. Because several new positions were added during Special Session II, many

overtime expenses incurred in fiscal 1982 will not recur. It was agreed that \$43,710 (a reduction of 11.8 percent) would not recur for security overtime, and this is reflected in current level. The nonsecurity overtime was also reduced by \$4,626.

The differential and holiday overtime were reduced by the same percentage as the overtime (11.8) percent because of the reduction of overtime positions due to the increased staff from Special Session II.

The vacancy savings calculation for the prison was made considering only nonsecurity positions. In this way, this budget will include full funding for all security positions, which includes a 1.6 relief factor. A 3.5 percent vacancy savings factor is recommended in the 1985 biennium for nonsecurity positions.

The prison's base budget includes adjustments in all operating expense line items. The adjustments were made as a result of: 1) one-time expenditures being deleted from the base, and 2) adjustments increasing operating expenses due to the anticipated increase in population from an average of 699 in fiscal 1982 to an anticipated level of 725 in fiscal 1984 and 1985 as was requested by the department. In addition, contracted services were deleted from the prison and are included in the Corrections Division medical expense budget. (Please refer to that section for further details.) These three areas of change are summarized in Table 1.

Table 1
Summary of Adjustments to Prison Base Budget

<u>Reason for Change</u>	<u>Amount</u>
Deletion of Medical Expenses	\$(503,101)
Increase Due to Population	70,451
Deletion of One-Time Expenses	<u>(23,949)</u>
Net Change to Budget	\$(456,599) =====

Issue 1: Rental Housing

The Department of Institutions has been requested in past legislative sessions and by the 1978 and the 1982 legislative audit to standardize and adjust rent for houses that the department owns and rents to employees. The prison supervises the rental of 13 housing units. The rents vary from \$20 to \$180 per month, and the prison pays utilities and maintenance costs. In fiscal 1982, repair and maintenance for these units totaled \$4,935, and utilities totaled \$19,427. The costs and rent received are summarized in Table 3.

Table 3
Prison Rental Housing Costs and Revenue in Fiscal 1982*

<u>Revenue</u> -Rent	\$ 8,597
<u>Costs</u>	
Repair	\$ 4,935
Utilities	<u>19,427</u>
Total Costs	<u>\$24,362</u>
Cost Above Rent	\$15,765 =====

*As reported by the Department of Institutions.

As is shown above, the prison subsidized rental units to employees in fiscal 1982 because costs exceeded revenue by \$15,765.

OPTIONS

Option a: Require the department to charge a rent comparable to the level charged in the community and require the tenant to pay utilities cost. This would be a general fund savings for utilities of approximately \$26,000 in fiscal 1984 and \$31,000 in fiscal 1985. Increased rental income is not able to be estimated, but would be deposited into the general fund.

Option b: Leave the housing arrangement at current level. This costs general fund approximately \$31,000 in fiscal 1984 and \$36,000 in fiscal 1985 for repair and utilities for the rental units.

Issue 2: Equipment

The prison requested a total of \$537,253 for equipment over the biennium. Of this total, \$184,725 was requested for kitchen equipment, and \$181,760 was requested for vehicles. This analysis includes no funds for equipment because the legislature will be presented with several different proposals for new construction of the prison. The decision made regarding new construction may substantially change the equipment needed at the prison, especially the kitchen equipment.

Issue 3: Prisoner Reimbursement

Currently, the Department of Institutions is able to collect funds from private individuals in state institutions who are able to pay in all cases except where individuals are placed within an institution for criminal activities (Section 53-1-409, MCA)

The legislature may wish to change this statute to allow the department to assess the inmates' ability to pay and charge those able to pay for their keep. Based on this analysis, the operating costs of keeping a prisoner are approximately \$34 per day or \$12,511 per year for each inmate.

The statutes that would require amendments if this issue is addressed are Sections 53-1-409 (4) and 53-1-402, MCA.

RANCH AND DAIRY

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Level Fiscal 1984	Fiscal 1985	% Change Biennium 1983-85
FTE	15.00	15.00	17.60	17.60	17.3
<u>Fund Source</u>					
Other Funds Approp.	\$1,194,979	\$1,464,621	\$1,234,962	\$1,294,866	(4.8)
Funds Budget Amended	<u>24,858</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,219,837</u>	<u>\$1,464,621</u>	<u>\$1,234,962</u>	<u>\$1,294,866</u>	<u>(5.8)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 384,429	\$ 403,314	\$ 463,420	\$ 462,584	17.5
Operating Expenses	570,695	833,347	608,816	659,793	(9.6)
Equipment	114,886	71,000	-0-	-0-	(100.0)
Livestock	<u>149,827</u>	<u>156,960</u>	<u>162,726</u>	<u>172,489</u>	<u>9.3</u>
Total Operating Costs	<u>\$1,219,837</u>	<u>\$1,464,621</u>	<u>\$1,234,962</u>	<u>\$1,294,866</u>	<u>(5.8)</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Operating Expenses	\$ -0-	\$399,356	\$ -0-	\$424,187
2. Equipment	\$ -0-	\$145,500	\$ -0-	\$213,500
3. Livestock	\$ -0-	\$ 57,274	\$ -0-	\$ 47,511

The Prison Ranch and Dairy provide beef and dairy products to state institutions and some nonprofit organizations. This program is designed to be self-supporting.

Current Level Adjustments

Personal Services - There has been an increase of 2.6 FTE over the fiscal 1982 level. This has occurred through the transfer of two FTE equipment mechanic positions from the state prison. An additional .6 FTE ranch hand was added, as the ranch deleted one FTE grade 14 soil scientist and added 1.6 FTE grade 8 ranch hands.

Due to the termination of the ranch manager in fiscal 1982 and the payment of his termination pay and accrued benefits, the Ranch and Dairy overspent its authorized personal services allocation for the year. A 1 percent vacancy savings factor is recommended for the 1985 biennium.

Operating Expenses - The operating expense base has been increased by \$1,112 over the fiscal 1982 current level. This has occurred through the removal of \$8,461 in one-time expenditures and the addition of \$9,573 in supplies and materials. This increase includes \$4,129 to reflect an annualized expense for the inventory maintenance data processing system and \$4,908 to provide adequate breeding supplies for the dairy's new artificial insemination (AI) program.

With the addition of the two FTE from the prison, repairs and maintenance contracts were reduced by \$28,525. Previously, the ranch had to reimburse the prison for the equipment and mechanics' labor cost. Now that the mechanics are employees of the ranch, this expense is no longer required.

The Ranch and Dairy requested an additional \$760,148 over the biennium current level operating expenses. These are discussed in Issue 1.

Funding - The Ranch and Dairy Program is expected to be funded entirely with revenues generated through the marketing of the products produced.

Issue 1: Requested Increase in Operating Expenses

The budget request package submitted to our office was \$823,543, or 57 percent greater than the adjusted current level operating expenditures over the biennium. The major components of this request were: (1) \$256,561 for increased authority to purchase feed and feed supplements (although the herd size remains constant), (2) \$42,200 to build new structures for the dairy, (3) \$22,382 to increase crop production, and (4) \$4,988 for a new fence. None of these requests is included in our analysis. Our analysis increases the base only as discussed above.

The legislature should closely examine these requested increases because most ranch costs are eventually charged out to the institutions for food products. Funding any or all of these proposed increases may result in higher food costs being passed on to the other institutional facilities.

Issue 2: Requested Equipment

The department submitted an equipment request of \$145,500 in fiscal 1984 and \$213,500 in fiscal 1985. A breakdown of their request appears in Table 1, below.

Table 1
Prison Ranch Request for 1985 Biennium

<u>Item</u>	-----Cost-----	
	<u>FY '84</u>	<u>FY '85</u>
Tractors		
John Deere 1020	\$ 17,000	
John Deere 3020	25,000	
John Deere 4030		\$ 40,000
John Deere 4430		55,000
Hay Equipment		
Hesston 6600	40,000	
Hesston 6600		40,000
Versatile 400		30,000
Hesston 60 A; (Retriever)		25,000
John Deere Baler	13,000	
Trucks		
International Refrigerated Truck	20,000	
International Scout		9,000
GMC 3/4 Ton		10,000
Ford 4 x 4	10,000	
Other		
Field Harrow	500	
John Deere Sprayer		2,500
International 3 Bottom Plow	5,000	
Harsh Feed Wagon	15,000	
Post Driver		2,000
Total	\$145,500 =====	\$213,500 =====

The current level expenditures would be \$129,083 in fiscal 1984 and \$136,826 in fiscal 1985, based upon actual fiscal 1982 expenditures.

None of the equipment items are included in this analysis.

Issue 3: Livestock Request

The department submitted a livestock request totalling \$440,000 for the 1985 biennium. As shown in the following table, this request consists of the yearly purchase of 15 breeding bulls for the beef herd at a cost of \$1,000 each; 20 Holstein heifers at a cost of \$1,500 each; and 1,500 slaughter hogs at a cost of \$117 each.

Included in current level is \$335,215 for the purchase of slaughter hogs during the biennium. The cattle purchase is not included in current level.

Table 2
Prison Livestock Purchase Request for 1985 Biennium

<u>Stock</u>	<u>Number</u>	<u>Approximate Cost/Unit</u>	<u>Total Cost</u>
Bulls	30	\$1,000	\$ 30,000
Heifers	40	1,500	60,000
Hogs	3,000	117	<u>350,000</u>
Total Request			\$440,000
Current Level (Hogs) Cost			<u>335,215</u>
Request Above Current Level			\$104,785 =====

MONTANA STATE PRISON INDUSTRIES

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	5.00	5.00	5.00	5.00	(0.0)
<u>Fund Source</u>					
General Fund Approp.	\$ 58,907	\$ 78,000	\$ -0-	\$ -0-	(100.0)
Other Funds Approp.	100,106	295,671	236,556	245,099	21.6
Funds Budget Amended	<u>34,900</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(15.1)</u>
Total Funds	\$193,913 =====	\$373,671 =====	\$236,556 =====	\$245,099 =====	(100.0) =====
<u>Expenditures by Object</u>					
Personal Services	\$ 88,464	\$ 94,500	\$126,771	\$126,555	38.4
Operating Expenses	89,184	279,171	109,785	118,544	(38.0)
Equipment	<u>16,265</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$193,913 =====	\$373,671 =====	\$236,556 =====	\$245,099 =====	(15.1) =====

The Montana State Prison Industries Program's objectives are to provide work opportunities for prison inmates to prevent inmate idleness, to train inmates in job skills and work habits, and to provide products and services to public agencies.

The Department of Institutions was mandated by the 1979 Legislature to develop the institution Industries Program. There are currently six industries at the prison. These include furniture manufacturing, furniture refinishing, printing, upholstery, signs, and timber.

The Industries Program was initially designed to be self-supporting. Senate Bill 1 of the second special session does not require that the Industries Training Program be self-sufficient.

Current Level Adjustments

Personal Services - Four of the five FTE have been upgraded one grade. This has been done through the Personnel Division of the Department of Administration, effective in October of fiscal 1983.

The program realized an actual vacancy savings of 19.49 percent in fiscal 1982. The statewide average vacancy savings factor is 3.5 percent, and this is recommended for the 1985 biennium.

Operating Expenses - Operating expenses have been reduced by \$3,374 in one-time expenses and by \$1,898 due to the termination of the CETA Program. No equipment has been requested.

Funding - The Industries Program is funded through the industries revolving account.

Issue 1: Requested Expansion of the Program

During the second special legislative session in 1982, the legislature appropriated \$26,325 to the Prison Industries Program to establish an industry training program. These funds were expended in an assessment of the most appropriate areas of industrial expansion and the costs of the proposed expansion. The results of this department study are expected to be available in mid-December.

The agency requested an increase in revolving fund authority of \$214,704 over the biennium in current level expenses to fund the proposed expansion. No backup accompanied this request, as the figures will not be available until the agency's report is out.

OPTIONS

No options will be presented until the report is made available.

LICENSE PLATE FACTORY

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	2.00	2.00	2.00	2.00	(0.0)
<u>Fund Source</u>					
Other Funds Approp.	\$439,037	\$538,372	\$496,163	\$524,560	4.4
Total Funds	\$439,037 =====	\$538,372 =====	\$496,163 =====	\$524,560 =====	4.4 ===
<u>Expenditures by Object</u>					
Personal Services	\$ 45,389	\$ 51,461	\$ 52,323	\$ 52,246	7.9
Operating Expenses	393,128	486,911	443,840	472,314	4.1
Equipment	520	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$439,037 =====	\$538,372 =====	\$496,163 =====	\$524,560 =====	4.4 ===

The License Plate Factory at the Montana State Prison manufactures the license plates for the state of Montana. This activity is not part of the Prison Industries Program.

Current Level Adjustments

The License Plate Factory has been included at current level. There are two FTE in the program. Actual fiscal 1982 vacancy savings was 1.5 percent and this factor is recommended for the 1985 biennium.

Current level operating expenses have been reduced by \$87 as requested by the department due to a new payroll policy.

No equipment has been requested.

The License Plate Factory is funded entirely by the automobile licensing earmarked revenue account through the Department of Justice.

PRISON CANTEEN

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	0.00	0.00	0.00	0.00	0.0
<u>Fund Source</u>					
Other Fund Approp.	\$234,650	\$250,521	\$400,513	\$450,439	75.3
Total Funds	\$234,650 =====	\$250,521 =====	\$400,513 =====	\$450,439 =====	75.3 =====
<u>Expenditures by Object</u>					
Operating Expenses	\$233,169	\$250,521	\$400,513	\$450,439	75.9
Equipment	1,481	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$234,560 =====	\$250,521 =====	\$400,513 =====	\$450,439 =====	75.3 =====

The Prison Canteen provides an institution store for the inmates to purchase personal and incidental items. The canteen is supported from funds generated from its operations.

Current Level Adjustments

The department requested that the spending authority for the canteen be increased 71 percent due to an anticipated increase in population at the prison and also due to a change in policies that will greatly reduce the packages an inmate will be allowed to receive through the mail. This increase is included in our analysis.

E D U C A T I O N

BOARD OF PUBLIC EDUCATION

BOARD ADMINISTRATION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	3.00	\$253,766	\$253,766
LFA Current Level	<u>2.00</u>	<u>194,296</u>	<u>194,296</u>
Executive Over (Under) LFA	1.00	\$ 59,470	\$ 59,470
	<u>====</u>	<u>=====</u>	<u>=====</u>

The executive budget recommends a researcher/analyst be added to the board's staff because of increased work load. Current level does not include this additional FTE; however, the agency's request for this FTE increase is presented as an issue for the legislature to consider.

The executive budget recommends an increase to the base travel expenses not included in current level. The agency underspent its travel budget in the base year, and we feel the request is unwarranted.

BOARD OF PUBLIC EDUCATION: BOARD ADMINISTRATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	2.00	2.00	2.00	2.00	0.0
<u>Fund Source</u>					
General Fund Approp.	<u>\$84,535</u>	<u>\$90,790</u>	<u>\$97,344</u>	<u>\$96,952</u>	<u>10.8</u>
Total Funds	<u>\$84,535</u> =====	<u>\$90,790</u> =====	<u>\$97,344</u> =====	<u>\$96,952</u> =====	<u>10.8</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$52,968	\$64,172	\$62,164	\$62,083	6.0
Operating Expenses	30,981	26,618	34,867	34,869	21.0
Equipment	<u>586</u>	<u>-0-</u>	<u>313</u>	<u>-0-</u>	<u>(46.5)</u>
Total Operating Costs	<u>\$84,535</u> =====	<u>\$90,790</u> =====	<u>\$97,344</u> =====	<u>\$96,952</u> =====	<u>10.8</u> =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Contracted Services	\$ 2,550	\$ -0-	\$ -0-	\$ -0-
2. FTE Changes				
Option a.	38,101	-0-	34,076	-0-
Option b.	10,368	-0-	8,380	-0-

This program is the administrative arm of the Board of Public Education. The Board of Public Education is charged with the general supervision over the public school system by the state Constitution. The board employs two FTE and is entirely supported by state general fund.

Current Level Adjustments

Included in the budget for the 1985 biennium is adequate per diem for the board members for 11 two-day meetings each year with an absenteeism rate of approximately 15 percent. The actual payout of budgeted per diem has ranged between 58 percent and 69 percent since fiscal 1980. The actual per diem payout has been less than budgeted because the board

members have not been paid full per diem and the attendance rate is not 100 percent.

Travel costs are included at current level.

Issue 1: Requested Increase in Contracted Services

The board has requested an increase to current level contracted services of \$2,550 for fiscal 1984. The additional funds would be used for research services from the National Association of State Boards of Education to obtain comparative information on state education policy and practices in other states for teacher competency testing, minimum competency testing, and private schools.

Issue 2: FTE Increase Request

The board has requested 1.5 additional administrative personnel because of work load increases. The requested positions are one FTE, management analyst I, grade 13 and .5 FTE, secretary II, grade 8. The board has identified in its bylaws four general goal areas as its staff's primary work objectives. These goals include: (1) management of the board's administrative affairs; (2) assistance with the activities of the board; (3) liaison between the board, Office of Public Instruction, and other state agencies; and (4) communications with the public and professional organizations. The board indicated only the first of the four general goals is currently accomplished in a timely manner. Goals two and four have a backlog or do not get accomplished, and goal three is partially accomplished. The analyst position would assist the executive secretary in data collection, legislation drafting, development of alternative solutions and collection and analysis of agency and program reports. The part-time secretary would assist the current administrative assistant with the administrative tasks.

OPTIONS

Option a: Authorize the additional 1.5 FTE. This may allow the Board of Public Education's staff to reach its goal and objectives as set forth in the board's bylaws in a timely manner. This option would cause the board to seek new office space at a cost of approximately \$5,800 annually. Currently, the board is provided office space in the Commissioner

of Higher Education Building at a nominal rate. Additional equipment is estimated to cost \$3,300 the first year. Total cost for this option is \$38,101 in fiscal 1984 and \$34,076 in fiscal 1985.

Option b: Authorize only the secretarial position. This would allow the executive secretary to devote his time to nonclerical tasks and enable more goals to be attained in a more timely manner. This option may not force the board to move to new offices because of the small FTE increase. Additional equipment for this position is estimated at \$1,725. Total cost for this option is \$10,368 for fiscal 1984 and \$8,380 in fiscal 1985.

Option c: Do not authorize the additional 1.5 FTE. This option would maintain current level services.

BOARD OF PUBLIC EDUCATION

FIRE SERVICES TRAINING SCHOOL

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	7.00	\$555,745	\$555,745
LFA Current Level	<u>6.00</u>	<u>429,388</u>	<u>429,388</u>
Executive Over (Under) LFA	1.00	\$126,357	\$126,357
	====	=====	=====

The executive recommendation includes general fund support for the agency's public education program previously supported by budget amended federal funds. The recommendation also includes an additional FTE to assist in the public education program and the materials resource center. Current level analysis does not include either of these recommendations.

The executive budget recommends additional general fund for the purpose of providing additional training to its staff and field instructors. This was not included in the current level.

FIRE SERVICES TRAINING SCHOOL

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	6.27	6.00	6.00	6.00	(2.2)
<u>Fund Source</u>					
General Fund Approp.	\$189,680	\$199,480	\$218,467	\$210,921	10.3
Funds Budget Amended	<u>13,489</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	<u>\$203,169</u> =====	<u>\$199,480</u> =====	<u>\$218,467</u> =====	<u>\$210,921</u> =====	<u>6.6</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$140,539	\$158,788	\$163,995	\$163,766	9.4
Operating Expenses	48,756	37,175	41,332	41,905	(3.1)
Equipment	<u>13,874</u>	<u>3,517</u>	<u>13,140</u>	<u>5,250</u>	<u>5.7</u>
Total Operating Costs	<u>\$203,169</u> =====	<u>\$199,480</u> =====	<u>\$218,467</u> =====	<u>\$210,921</u> =====	<u>6.6</u> ===

ISSUES

		-----Fiscal 1984-----		-----Fiscal 1985-----	
		<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1.	Annual Fire School	\$ -0-	\$ 2,000	\$ -0-	\$ 2,000
2.	Change in Funding	\$15,851	\$ -0-	\$16,373	\$ -0-
3.	Resource Center				
	Option a.	\$18,950	\$ -0-	\$14,481	\$ -0-
	Option b.	-0-	18,950	-0-	14,481
4.	Regional Transfer & Addition				
	Option a.	\$17,500	\$ -0-	\$47,507	\$ -0-
	Option b.	17,500	-0-	6,800	-0-

The Fire Services Training School, located in Great Falls, is supervised by the Board of Public Education. The two primary purposes of the school are to provide fire fighting instruction to Montana's 9,000 fire-fighters and to provide public education programs to promote fire safety and prevention. The school employs six FTE: five in Great Falls and one field instructor based in Miles City serving eastern Montana. The school's

fire fighting instruction objectives are met by using two approaches. First, the instruction staff provide on-site instruction to fire departments around the state. Second, the school certifies firefighters in the field as instructors. These instructors, in turn, train other firefighters. The school's public fire safety education objective is met by providing fire safety information through a newsletter, audio visual media, and on-site visits to fire departments and public groups across the state.

Current Level Adjustments

In fiscal 1982, the school purchased a used sedan for its instructors in Great Falls. This enables the four instructors to use a state vehicle, when available, rather than their personal vehicle. Instate personal vehicle travel was reduced by 25 percent to compensate for the use of the state car. Funds are provided in current level for the purchase of a station wagon, protective clothing and breathing equipment, office equipment in fiscal 1984, and a copier and other office equipment in fiscal 1985.

Current level adjustments are provided for two changes in personal services. First, the director's position was vacant for six months in fiscal 1982. When the new director was hired, the Board of Public Education negotiated a salary approximately \$3,000 higher than the previous director. Vacancy savings covered this difference for the six months the position was filled. The second change is to correct an error which occurred in the budgeting process during the last legislative session. The school was authorized an additional FTE but was not authorized sufficient personal services for the new FTE. The vacancy savings created by the vacant director position also covered this difference in fiscal 1982. At the end of fiscal 1982, personal services was underspent approximately \$7,150.

The personal services appropriation in fiscal 1983 shows a high increase from fiscal 1982 because personal services was underspent in fiscal 1982. However, the combination of the higher-than-budgeted salary for the director and the underestimation of personal services for the additional FTE results in a deficit of \$12,000 in the personal services category in fiscal 1983 for the school.

The current level personal services for fiscal 1984 and 1985 reflect correct salaries for the six FTE at appropriate classifications, grades, and steps.

The Fire Services Training School had a calculated vacancy savings rate of 4.7 percent. No vacancy savings is recommended for fiscal 1984 and 1985.

Issue 1: Annual Fire School

The Fire Services Training School offers an annual fire school in Great Falls for the purpose of firefighting instruction. Firefighters come from all over the state. The funds provided for the annual school are used to reimburse the participants' travel costs. These funds are a grant from the Division of Forestry, Department of Natural Resources and Conservation. There is a 50 percent match required, however, the match is in instruction services. The funds were added by budget amendment in fiscal 1981 and 1982. The school expects to receive \$2,000 each year of the 1985 biennium for this purpose.

Issue 2: Change in Funding

The school is requesting that the state general fund replace federal funds for its Public Safety Education Program. When the school began receiving federal funds for this program in fiscal 1979, it was then funding the Public Safety Education Program from the current level budget but at a reduced level. In fiscal 1982, the school expended \$9,683 of \$15,000 budget amended federal funds for this program. In addition, approximately one-half of a current level, general funded instructor position was dedicated to the management of the program.

The federal funding in fiscal 1982 enabled the school to publish a newsletter, initiate public safety programs, and support a .5 FTE office clerk, grade 4, approximately six months, to assist in the routine tasks of the program. The school has requested the Public Safety Education Program, including the .5 FTE office clerk, be fully general funded for fiscal 1984 and 1985. They indicated the change in funding would maintain the program service level that exists with the federal funds. However, the increased FTE would increase personal services expense and reduce the funds available to provide public safety education programs.

OPTIONS

Option a: Approve general fund replacement of federal funds. This option would increase FTE by .5. This option would cost \$15,851 in fiscal 1984 and \$16,373 in fiscal 1985, before the pay plan.

Option b: Do not approve general fund replacement of federal funds. This option could cause the school to reevaluate its means of achieving its objectives. It would save the general fund approximately \$31,000 in the 1985 biennium.

Issue 3: Resources Center Increase

The school is requesting \$7,000 in fiscal 1985 to purchase 16 to 20 films for its resource center and \$2,000 in fiscal 1985 to purchase five. In the 1983 biennium \$1,230 of general fund was appropriated for films, however, only \$360 was spent for that purpose. Currently, when the films are sent to fire departments, the user pays the return postage only. No user fee is charged.

The school is also requesting funds to self-produce audio/visual programs that relate to problems unique to Montana. The school indicated it has the equipment and the manpower but lacks the operational funds for film, props, etc.

The school is also requesting a .5 FTE office clerk, grade 4, to maintain accurate records of the resource materials, to clean and repair films, and to perform other routine tasks currently being performed by a grade 14 instructor.

OPTIONS

Option a: Authorize the program expansion. This option would increase the school's FTE by .5 and would cost the general fund \$18,950 in fiscal 1984 and \$14,481 in fiscal 1985 before pay increases. It would enable the school to produce resource materials that address Montana's specific problems.

Option b: Do not authorize the program expansion. This would maintain current level services and expenditures.

Option c: Make the audio/visual library service self supporting. This would cause the school to establish user fees for the films and other audio/visual material that is currently being provided free.

Issue 4: Regional Transfer and Addition

In the 47th Legislature, the school requested and received approval of a field representative to serve eastern Montana. The school has received positive response from the eastern Montana fire departments and service to those departments has increased over 300 percent since the implementation of that position. The agency is requesting funding for field representatives in south central and western Montana. One of the existing staff members would be relocated in fiscal 1984 and an additional FTE, grade 14, instructor is requested in fiscal 1985. General fund is requested to support this expanded program.

The agency has indicated that current level travel expenses would not decrease with the implementation of the field representatives because the demand for the school's services has increased to where the existing staff cannot meet the need for services. This is inconsistent with the agency's contention in Issue 3 because the agency indicates it has the manpower available to produce audio visual materials but not to train more firefighters. Training firefighters is indicated as a higher priority goal than public education in the agency's goals and objective statement. If, in reality, the agency places a higher priority on public education, the increased training is not necessary.

OPTIONS

Option a: Approve the expansion. This option would cost \$17,500 in fiscal 1984 and \$47,507 in fiscal 1985. This option should allow the school to provide increased training to fire departments in the south central and western region of the state.

Option b: Approve only one field representative in the 1985 bien-nium. This option would cost \$17,500 in fiscal 1984 and \$6,800 in fiscal 1985.

Option c: Do not approve either field representative. This option would maintain current level services and expenditures.

MONTANA SCHOOL FOR THE DEAF & BLIND

	1985	-----1985 Biennium-----	
	<u>FTE</u>	<u>General</u>	<u>Total</u>
		<u>Fund</u>	<u>Funds</u>
Executive	88.16	\$4,131,428	\$4,916,689
LFA Current Level	<u>82.80</u>	<u>3,644,514</u>	<u>4,559,679</u>
Executive Over (Under) LFA	5.36	\$ 486,914	\$ 357,010
	====	=====	=====

The current level analysis maintains the funding mix for the agency as it existed in fiscal 1982 with recognition of Special Session I changes. The executive budget replaced federal funds with general fund in areas the agency indicated it expected federal funds to decline. The LFA presents the federal fund decline as an issue and offers options for the legislature's consideration to deal with the issue.

The executive recommendation also includes the addition of one FTE custodian, two FTE cottage life attendants, and a half-time nurse's aide. These are related to work load increases caused by new facilities either at or near completion. The LFA current level analysis did not include these work load increase requests because of insufficient justification.

The current level analysis did not include a .73 FTE teacher and .73 FTE teacher's aide for the school's multi-handicapped Deaf and Blind Program previously supported by federal Title VI-C funds. The executive budget provided general fund replacement of these funds; the current level analysis presents this as an issue for the legislature to consider.

Current level analysis did not include the funding or FTE increase in the Title I Program. The agency increased a teacher position from half-time to full-time and increased personal services. The executive budget includes this increase in its recommendation. This accounts for .40 FTE.

Both the executive recommendation and the LFA current level analysis included adjustments for utility costs caused by the larger physical space of the new facilities. However, the LFA analysis considered occupancy dates and efficiencies of a newly installed boiler when estimating utilities in addition to the increased square footage. This resulted in a lower estimate than the executive recommendation. The executive budget considered only the increased square footage.

BOARD OF PUBLIC EDUCATION
Montana School for the Deaf & Blind

The executive budget recommends more equipment, primarily in the school's General Services Program, than is included in the current level.

MONTANA SCHOOL FOR THE DEAF AND BLIND

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	94.63	84.66	82.80	82.80	(7.6)
<u>Fund Source</u>					
General Fund Approp.	\$1,560,516	\$1,856,605	\$1,821,624	\$1,822,890	6.6
Other Funds Approp.	562,922	522,929	451,482	463,683	(15.7)
Funds Budget Amended	<u>450</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$2,123,888</u> =====	<u>\$2,379,534</u> =====	<u>\$2,273,106</u> =====	<u>\$2,286,573</u> =====	<u>1.2</u> ===

Expenditures by Object

Personal Services	\$1,605,906	\$1,934,481	\$1,772,821	\$1,771,810	0.1
Operating Expenses	460,701	431,503	482,075	510,859	11.2
Equipment	<u>57,281</u>	<u>13,550</u>	<u>18,210</u>	<u>3,904</u>	<u>(68.7)</u>
Total Operating Costs	<u>\$2,123,888</u> =====	<u>\$2,379,534</u> =====	<u>\$2,273,106</u> =====	<u>\$2,286,573</u> =====	<u>1.2</u> ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Title VI-C	\$30,500	\$ -0-	\$30,500	\$ -0-
2. ECIA, Chapter 1	\$21,565	\$(21,565)	\$47,033	\$(47,033)

The Montana School for the Deaf and Blind, located in Great Falls, is a school for children whose hearing and/or vision is sufficiently impaired that they are unable to receive an education in the public schools. In addition to education programs, the school provides speech and physical therapy for children requiring those services and provides basic life skills to the multi-handicapped.

Approximately 325 children are served by the Montana School for the Deaf and Blind. The children range in age from infancy to 18. An estimated 210 children are served by the school's Outreach and Itinerant Program. This program serves hearing impaired and visually impaired

children in their local community. Most often, these children are under school age. The remaining estimated 115 children are served at the Great Falls campus. Approximately 75 children reside at the school during the school year.

The 47th Legislature approved construction of two 40-bed dormitories, a new food service, and a gymnasium. One dormitory is completed and occupied; the remaining facilities are projected for completion by October, 1983.

The Montana School for the Deaf and Blind is funded by state general fund, interest and income from school lands, and federal funds. During the regular session of the 47th Legislature, general fund was provided to partially offset reductions in federal Title VI-C funds. The Special Session I of the 47th Legislature appropriated general fund to provide partial replacement of ESEA Title I funds (now ECIA, Chapter 1). Special Session I provided total general fund support for the career education and vocational education programs for fiscal 1983, because the federal funds supporting these programs, CETA and Vo-Ed Special Needs, were no longer available.

Current Level Adjustments

The funding changes that occurred during special session were considered during the development of current level funding for the 1985 biennium. The effect of the special session changes is that state general fund increases disproportionately to total funding increases.

The career education and vocational education programs which were appropriated general fund support in Special Session I are continued at current level in the 1985 biennium with general fund.

The Title VI-C program related expenditures and personnel costs (1.46 FTE) are removed from the base year expenditures. The 47th Legislature provided only partial general fund replacement of this program in regular session. The federal funds will not be available in the 1985 biennium, and the agency is requesting 100 percent general fund support (see Issue 1).

Annual receipts from the interest and income account are estimated to be \$200,000 each year of the biennium. The carry-over available for

expenditure at fiscal year-end 1982 was \$134,616 and is estimated to be \$112,411 at fiscal year-end 1983. The current level estimate utilizes the carry-over balance and leaves \$20,000 in the fund balance at fiscal year-end 1985. Total funding from the interest and income account, including the carry-over, is estimated at \$490,000 for the 1985 biennium. In the 1983 biennium, \$449,966 of interest and income funds were appropriated.

The school's utility costs were adjusted to provide for the physical plant changes in the 1985 biennium. Total expenditures are estimated to increase 1.6 percent before pay increases in order to maintain current level services.

The agency revised its definition of a FTE in its Education Program. In fiscal 1982, a full-time teacher with a school year contract was counted as a 1.0 FTE. In fiscal 1983, that same full-time teacher was counted as a .73 FTE. This revision resulted in a FTE reduction of 9.97 from fiscal 1982 to fiscal 1983; however, the actual number of teachers did not change. Current level analysis removed 1.46 FTE in the 1985 biennium related to the Title VI-C Program. Current level also decreased FTE in the 1985 biennium by .40 to account for an unauthorized FTE increase in the Education Program when the FTE definition changes were implemented. These two current level changes reduced FTE by a total of 1.86 FTE in the 1985 biennium.

Actual vacancy savings for the agency was 2 percent in fiscal 1982. Two percent is recommended for the 1985 biennium.

Issue 1: Title VI-C

The 47th Legislature appropriated \$26,176 of general fund each year of the 1983 biennium to support 1.28 FTE in the Title VI-C program. The school is requesting the legislature continue this support. The funds would be used to support a teacher and an aide to teach five deaf/blind students who will not be transferred to the local school district.

In fiscal 1982, \$7,329 of the \$26,176 general fund appropriation was spent for this purpose. From the remaining appropriation, \$6,939 was reverted to the general fund leaving \$11,908 that was used for an unidentified purpose. If the Legislature continues to provide this support, it is

suggested that future appropriations be line itemed to ensure that funds are spent following legislative intent.

OPTIONS

Option a: Approve the continuation of general fund support for this program. This option would cost general fund \$30,500 in fiscal 1984 and 1985 before pay plan increases. Continuation of this support would provide services to five multi-handicapped deaf/blind children at the Great Falls campus and increase FTE by 1.46.

Option b: Discontinue general fund support of this program. This option would not allow the school to provide services to these children because Title VI-C funding is not expected to be available in the 1985 biennium. The students would have to be placed in school district special education programs.

Issue 2: ECIA, Chapter 1

The Education Consolidation and Improvement Act (ECIA), Chapter 1, replaced ESEA Title 1 in October 1982. The school anticipates a 15 percent reduction in these funds in the 1985 biennium. The agency is requesting general fund replacement for the anticipated decline.

These funds support a variety of support services and direct services at the school, including some of the school's itinerant services, and services that satisfy special education requirements.

In order to maintain services at the base year current level, the school will require \$21,565 in fiscal 1984 and \$47,033 in fiscal 1985 before pay increases.

OPTIONS

Option a: Approve the general fund replacement of the expected federal fund drop. This would allow the school to maintain current level services and would cost general fund \$21,565 in fiscal 1984 and \$47,033 in fiscal 1985 before pay increases.

Option b: Do not approve general fund replacement. This would allow the school to provide services at the level provided by the available funding.

OFFICE OF PUBLIC INSTRUCTION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	143.45	\$6,355,870	\$10,826,895
LFA Current Level	<u>140.10</u>	<u>4,543,211</u>	<u>9,953,067</u>
Executive Over (Under) LFA	3.35	\$1,812,659	\$ 873,828
	====	=====	=====

The two primary differences between the current level analysis and the executive budget are the executive replaced federal funds with general fund and the executive maintained the agency's procedure of accounting for indirect cost recoveries. The current level analysis presents the decline in federal funds anticipated by the agency as an issue for the legislature's consideration. The current level analysis also changed the procedure for indirect cost recoveries. This procedural change eliminates the double counting of indirect cost charges that had previously existed.

The executive budget maintains staff FTE as it exists in fiscal 1983, while current level deleted 3.35 FTE in the administration program because the positions had been vacant in fiscal 1982 and fiscal 1983.

The executive budget provides twice the amount of capital equipment as included in the current level analysis.

OFFICE OF PUBLIC INSTRUCTION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	154.35	143.45	140.10	140.10	(5.9)
<u>Fund Source</u>					
General Fund Approp.	\$1,842,917	\$2,584,305	\$2,327,178	\$2,216,033	2.6
Other Funds Approp.	3,203,302	2,600,046	2,642,231	2,767,625	(6.7)
Funds Budget Amended	<u>70,639</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$5,116,858</u>	<u>\$5,184,351</u>	<u>\$4,969,409</u>	<u>\$4,983,658</u>	<u>(3.4)</u>

Expenditures by Object

Personal Services	\$3,162,683	\$3,423,666	\$3,571,807	\$3,566,602	8.4
Operating Expenses	1,312,184	1,373,485	1,342,602	1,362,056	0.7
Equipment	<u>287,435</u>	<u>82,864</u>	<u>55,000</u>	<u>55,000</u>	<u>(70.3)</u>
Total Operating Costs	\$4,762,302	\$4,880,015	\$4,969,409	\$4,983,658	3.2
Non-Operating Expend.	<u>354,556</u>	<u>304,336</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$5,116,858</u>	<u>\$5,184,351</u>	<u>\$4,969,409</u>	<u>\$4,983,658</u>	<u>(3.4)</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Basic Skills				
Federal Funds	\$ 45,348	\$(45,348)	\$ 80,152	\$(80,152)
AV Library Films	50,000	(50,000)	50,000	(50,000)
2. Vocational Education				
Federal Funds	\$ 29,543	\$(29,543)	50,428	\$(50,428)
3. Administrative Services				
Federal Funds	\$ 17,956	\$(17,956)	\$ 36,942	\$(36,942)
4. Special Services				
Federal Funds	\$ 306,386	\$(306,386)	\$ 472,552	\$(472,552)

The Office of Public Instruction (OPI) is the state education agency which has general supervision of the public primary and secondary schools and postsecondary vocational technical centers in Montana. OPI administers federal and state regulations applicable to the local school districts, provides technical and curriculum assistance, monitors federal expenditures and programs, and provides state leadership to the local districts. The Superintendent of Public Instruction is an elected official and serves a four-year term.

OPI disburses federal and state funds to the local districts. These funds, known as flow-thru money, are addressed in the Public School Support section of this budget analysis. The state administration costs of OPI are addressed here. The office is divided into six program areas: Chief State School Officer, Basic Skills, Vocational Education, Financial Services, Administrative Services, and Special Services. State administration expenditures are supported by several funding sources including state general fund, several sources of federal funds, earmarked funds, and revolving account funds.

Special Session I of the 47th Legislature changed the fiscal 1983 funding as appropriated by the regular session. In anticipation of declining federal revenues, \$432,179 of general fund was appropriated to partially or completely offset the decline in three federal revenue sources: block grant state administration, CETA administration, and vocational education state administration.

Agency Current Level Adjustments

Total expenditures for OPI are estimated to decrease 3.4 percent; however, total operating costs are expected to increase 3.2 percent for the 1985 biennium. This difference exists because in the 1985 biennium, indirect costs will not be double counted. In the 1983 biennium, OPI has shown federal indirect cost charges both as accounting entity transfers and expenditures for accounting, personnel, and staff services. In this way, the funds were counted twice. This procedure overstated expenditures by the amount of the accounting entity transfers.

The current level analysis eliminates the accounting entity transfers and places the indirect cost reimbursement income in a special revenue account for the indirect support functions. Because this accounting entity transfer is no longer made, total expenditures will decrease in the 1985 biennium. Total operating costs, which do not include accounting entity transfers, will show a 3.2 percent increase from the 1983 biennium.

Table 1 illustrates estimated current level expenditures and funding for the indirect cost pool in the 1985 biennium. Consistent with past practice, it is recommended that language be included in the appropriations bill that would require a dollar for dollar general fund reversion if indirect cost recoveries exceed \$467,770 in fiscal 1984 and \$495,214 in fiscal 1985.

Table 1
Indirect Cost Pool Reconciliation
Current Level - 1985 Biennium

	<u>FY '84</u>	<u>FY '85</u>	<u>Biennium Total</u>
<u>Expenditure Level:</u>			
Financial Services	\$336,492	\$356,681	\$ 693,173
Administrative Services	<u>158,442</u>	<u>167,949</u>	<u>326,391</u>
Total Expenditures	\$494,934 =====	\$524,630 =====	\$1,019,564 =====
<u>Funding From:</u>			
Indirect Cost Recovery	\$467,770	\$495,214	\$ 962,984
General Fund	<u>27,164</u>	<u>29,416</u>	<u>56,580</u>
Total Funding	\$494,934 =====	\$524,630 =====	\$1,019,564 =====

Out-of-state travel expenditures were reduced 25 percent in the base year for the whole agency. Between fiscal 1978 and fiscal 1982, the expenditure for out-of-state travel per staff FTE has gone from approximately \$350 to \$700. Out-of-state travel expenditures in fiscal 1982 were considered excessive for use as the base in light of fiscal constraints facing the agency. The reduction to the base was approximately \$25,000.

The agency reduced its current level staff by 9.9 FTE from fiscal 1982 to fiscal 1983 because of federal fund cutbacks. Additional FTE (3.35) were removed for the 1985 biennium because the positions were not utilized in fiscal 1982 and were still vacant in November 1982. While in fiscal 1982 154.35 FTE were authorized, only 141.9 FTE were used. This resulted in a vacancy savings rate of 8.9 percent in fiscal 1982. When FTE reductions are considered, three percent is recommended for the 1985 biennium.

Current level funding adjustments to "other funds" provided inflation increases from the fiscal 1982 level. Exceptions to this were the federal funds addressed at Special Session I. Federal funding for block grant administration and vocational education administration for the 1985 biennium was estimated based on the fiscal 1983 grant award, plus inflation allowances.

CETA funds for administration are not available beyond fiscal 1983. However, OPI estimates \$54,000 will be available from the federal Job Training Partnership Act (replaces CETA) each year of the 1985 biennium. Funds are expected to be authorized starting in fiscal 1984. In the current level, we used OPI's estimate for this revenue source.

General fund is expected to increase 2.6 percent in the 1985 biennium, while other funds are expected to decrease 6.7 percent. These changes are before pay plan amounts are added.

General Issue: Federal Fund Decline

The issue concerning four of the six programs in OPI is the anticipation of further reductions in federal funding for state administration. The agency estimates federal funds of \$2,001,622 in fiscal 1984 and \$1,902,894 in fiscal 1985 will be available to support current level services. This represents a 17 percent decrease from what was available in the 1983 biennium. The LFA current level estimates \$2,266,083 in fiscal 1984 and \$2,398,830 in fiscal 1985 will be available for program and indirect costs. If general fund were provided to cover all the federal fund reductions anticipated by the agency from the current level, it would cost \$399,234 in fiscal 1984 and \$640,074 in fiscal 1985. If funds are not provided, program reductions are likely; however, the Office of Public Instruction did not provide detail on where these reductions would occur.

Within the program budgets that follow, the federal fund issue and other program specific issues are presented for the legislature's information and consideration.

CHIEF STATE SCHOOL OFFICER

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	2.00	2.00	2.00	2.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$105,773	\$100,084	\$150,405	\$110,603	26.7
Other Funds Approp.	-0-	-0-	20,000	-0-	100.0
Funds Budget Amended	<u>14,674</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$120,447 =====	\$100,084 =====	\$170,405 =====	\$110,603 =====	27.4 =====
<u>Expenditures by Object</u>					
Personal Services	\$ 64,533	\$ 70,884	\$ 71,497	\$ 71,383	5.5
Operating Expenses	54,449	28,700	98,908	39,220	66.1
Equipment	<u>1,465</u>	<u>500</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$120,447 =====	\$100,084 =====	\$170,405 =====	\$110,603 =====	27.4 =====

This program consists of the State Superintendent and his assistant. Current level operations are completely supported by general funds.

Current Level Adjustments

Audit costs of \$42,000 are provided for the 1985 biennium. Contracted services costs for legal fees were removed from the base. The agency currently has a lawyer on staff and did not provide justification for contracting additional legal services. All other operating costs except equipment were funded at current level. No equipment was provided for this program for the 1985 biennium. Revolving fund authority of \$20,000 is provided in fiscal 1984 for the printing and sale of school laws.

BASIC SKILLS

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Level Fiscal 1984	Fiscal 1985	% Change Biennium 1983-85
FTE	43.06	40.50	40.50	40.50	(3.1)
<u>Fund Source</u>					
General Fund Approp.	\$ 848,899	\$ 993,983	\$ 911,740	\$ 909,646	(1.1)
Other Funds Approp.	446,009	370,342	434,790	452,479	8.6
Funds Budget Amended	<u>31,531</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	\$1,326,439 =====	\$1,364,325 =====	\$1,346,530 =====	\$1,362,125 =====	0.6 ===
<u>Expenditures by Object</u>					
Personal Services	\$ 942,666	\$1,014,431	\$1,029,874	\$1,028,335	5.1
Operating Expenses	253,410	233,702	265,656	282,790	12.5
Equipment	<u>73,108</u>	<u>76,090</u>	<u>51,000</u>	<u>51,000</u>	(31.6)
Total Operating Costs	\$1,269,184	\$1,324,223	\$1,346,530	\$1,362,125	4.4
Non-Operating Expend.	<u>57,255</u>	<u>40,102</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Expenditures	\$1,326,439 =====	\$1,364,325 =====	\$1,346,530 =====	\$1,362,125 =====	0.6 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding Mix	\$45,348	\$(45,348)	\$80,152	\$(80,152)
2. AV Library Films	\$50,000	\$(50,000)	\$50,000	\$(50,000)

The Basic Skills Program offers services to local school districts in the areas of basic skill instruction, adult education, teacher certification, audio visual library materials and traffic safety education. These programs are funded by a variety of funding combinations. The basic instruction services are entirely general funded. Other programs, such as veterans' education, are supported entirely by federal funds. Both general fund

and federal funds are used to support adult education. Earmarked revenues support the traffic safety program. The audio visual library is currently supported by a revolving fund and a general fund appropriation for films.

Current Level Adjustments

Revolving fund authority is provided in current level for purchasing \$50,000 of films each year of the biennium. The agency moved two education program consultants from this program to the special services program in fiscal 1982. One thousand dollars is provided each year for office equipment purchases.

Issue 1: Federal Funds

The agency anticipates a decline in federal adult education and veterans' education administration funds in the 1985 biennium and has requested general fund replacement. The agency estimates \$98,054 will be available in fiscal 1984 and \$73,054 in fiscal 1985 for program administration and indirect costs. This compares to the current level estimate of \$143,402 and \$153,206 for 1984 and 1985, respectively. The adult education program is supported by general funds and federal funds. The veterans' education program is supported entirely by federal funds. General fund replacement would cost \$45,348 in fiscal 1984 and \$80,152 in fiscal 1985.

Issue 2: Audio Visual Library Films

The audio visual library rents films to school districts. The program's operations are supported primarily by a revolving fund. The rental fee on these films is the revenue for the revolving fund. In two previous bienniums, the Legislature has provided general fund to supplement the program's equipment budget. The original intent of the general fund appropriation was to serve as "seed money" to purchase new films, to improve the quality of the library, and ultimately to make the program self-supporting. However, the agency has continued to request the general fund subsidy for the purpose of purchasing new and replacement films because the revenue from the program has not been sufficient to support adequate film purchases. The Legislature provided \$50,000 per year in the 1977 and 1983 bienniums.

The current level funding provided revolving fund authority for this purpose in the biennium. OPI is requesting \$50,000 general fund, in lieu of revolving fund, for each year of the 1985 biennium for the same purpose. In fiscal 1982, the revolving fund purchased approximately \$13,000 of films in addition to paying operating expenses. The general fund appropriation would enable OPI to purchase nearly four times as many films. If the general fund appropriation is not made, the audio visual program would have to purchase all of its films from the revolving fund by increasing its income. This would be possible by increasing fees, reducing current level services, reducing noncapital expenses, or foregoing new film purchases.

OPTIONS

Option a: Provide \$50,000 general fund appropriation to continue the subsidy of the audio-visual library program.

Option b: Accept the current level analysis of providing revolving fund authority to purchase films. This would enable the program to purchase films to the extent funds are available. The decision of how to increase income would be a management decision.

VOCATIONAL EDUCATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	21.00	19.25	19.25	19.25	(4.3)
<u>Fund Source</u>					
General Fund Approp.	\$209,150	\$321,902	\$314,189	\$302,602	16.1
Other Funds Approp.	471,090	352,106	319,600	336,161	(20.3)
Funds Budget Amended	<u>2,566</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$682,806 =====	\$674,008 =====	\$633,789 =====	\$638,763 =====	(6.2) =====
<u>Expenditures by Object</u>					
Personal Services	\$473,617	\$480,606	\$530,070	\$529,280	11.0
Operating Expenses	113,972	120,757	102,719	108,483	(10.0)
Equipment	<u>8,037</u>	<u>3,724</u>	<u>1,000</u>	<u>1,000</u>	<u>(82.9)</u>
Total Operating Costs	\$595,626	\$605,087	\$633,789	\$638,763	5.9
Non-Operating Expend.	<u>87,180</u>	<u>68,921</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	\$682,806 =====	\$674,008 =====	\$633,789 =====	\$638,763 =====	(6.2) =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Federal Funds	\$29,543	(\$29,543)	\$50,428	(\$50,428)

This program administers federal vocational education funds and provides technical assistance to high schools in the vocational education curriculum. The program also has general supervision of the post secondary vocational technical centers. General fund and federal funds support the program.

Current Level Adjustments

CETA-related operating expenses were removed from the base as this funding source will not be available in the 1985 biennium. OPI estimates \$54,000 each year will be available from the CETA replacement, the federal Job Training Partnership Act. The 2.0 FTE positions funded by CETA in

fiscal 1982 were left in the base. The expected revenue of \$54,000 is sufficient to support only personal services for the 2.0 FTE.

This program reduced its FTE by 1.75 in fiscal 1982. One FTE, a personal staff appointment by the superintendent, was moved to the Administrative Services Program. A .25 FTE, education program consultant, was eliminated because of CETA cutbacks. A .50 FTE, education program consultant, was eliminated because it was not filled in fiscal 1982.

One thousand dollars is provided each year for software purchases.

Issue 1: Funding Change

The agency expects federal vo-ed funds will remain at the fiscal 1985 level for the 1985 biennium. It is requesting all increases due to inflation be funded from the general fund. OPI estimates total federal vo-ed funds available each year will be \$2,363,678, of which \$318,512 is identified as funds for program administration and interest costs. If general fund is provided to replace federal fund, it will cost general fund \$29,543 in fiscal 1984, and \$50,928 in fiscal 1985 to maintain current level expenditures. If general fund replacement is not provided, program reductions would likely occur.

FINANCIAL SERVICES

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	26.94	27.50	27.50	27.50	(1.0)
<u>Fund Source</u>					
General Fund Approp.	\$ 416,129	\$ 584,457	\$ 445,449	\$ 434,807	(12.0)
Other Funds Approp.	568,433	531,986	556,684	589,652	4.1
Funds Budget Amended	<u>21,868</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,006,430</u>	<u>\$1,116,443</u>	<u>\$1,002,133</u>	<u>\$1,024,459</u>	<u>(4.5)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 573,004	\$ 640,038	\$ 673,709	\$ 672,701	10.9
Operating Expenses	356,819	422,107	327,424	350,758	(12.9)
Equipment	<u>35,391</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>(94.5)</u>
Total Operating Costs	\$ 965,214	\$1,063,145	\$1,002,133	\$1,024,459	0.0
Non-Operating Expend.	<u>41,216</u>	<u>53,298</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$1,006,430</u>	<u>\$1,116,443</u>	<u>\$1,002,133</u>	<u>\$1,024,459</u>	<u>(4.5)</u>

This program includes the administration of school transportation, school food services, the school foundation program, and internal accounting services. General fund supports the administration of school transportation funds, the school foundation program, part of the school food administration, internal accounting, and the rent on capitol office space. Federal funds support nutrition education programs and the food distribution service. Revolving funds also support the internal accounting function and the food distribution service.

Current Level Adjustments

One FTE, an administrative assistant, was transferred to this program in fiscal 1982 from administrative services.

With minor exceptions, current level operating expenses are provided for. Capital equipment is provided at \$1,000 each year of the biennium for office equipment.

The indirect cost reimbursements have been placed in a special revenue account and are no longer treated as accounting entity transfers.

The agency has estimated federal school foods revenues will increase during the 1985 biennium. This increase would allow higher expenditures in the school foods program. The agency estimates school foods revenue available for program and indirect costs will be \$675,000 in the 1985 biennium. This is approximately \$280,000 higher than current level analysis.

ADMINISTRATIVE SERVICES

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	34.60	29.45	26.10	26.10	(18.5)
<u>Fund Source</u>					
General Fund Approp.	\$134,845	\$439,236	\$369,297	\$356,329	26.3
Other Funds Approp.	<u>581,224</u>	<u>331,527</u>	<u>403,993</u>	<u>427,743</u>	<u>(8.8)</u>
Total Funds	\$716,069 =====	\$770,763 =====	\$773,290 =====	\$784,072 =====	4.7 ===
<u>Expenditures by Object</u>					
Personal Services	\$517,428	\$550,532	\$598,862	\$598,109	12.0
Operating Expenses	174,677	219,081	173,428	184,963	(8.9)
Equipment	<u>23,964</u>	<u>1,150</u>	<u>1,000</u>	<u>1,000</u>	<u>(92.0)</u>
Total Expenditures	\$716,069 =====	\$770,763 =====	\$773,290 =====	\$784,072 =====	4.7 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding Change	\$17,956	\$(17,956)	\$36,942	\$(36,942)

This program provides administrative support to the Office of Public Instruction. It includes the following services: legal services, resource center, public information, personnel and other internal staff services, data and word processing, program development and evaluations, and the resource and assessment program.

Personnel and internal staff services are funded primarily with federal indirect cost reimbursement. The resource and assessment program is maintained by a revolving account, federal funds, and general fund. Legal services and data processing services are completely federal funded. All other services are funded by a combination of federal and general fund.

Current Level Adjustments

Expenditures relating to legal contracted services were removed from the operating base. The agency has a lawyer on staff in current level. Justification and evidence of need was not furnished for the use of contracted legal services. Capital equipment was provided for in current level, at \$1,000 annually for the 1985 biennium.

Several FTE were eliminated in fiscal 1982 due to federal fund cut-backs. These included a computer technician, a project evaluator, a mail clerk, a lawyer, and a data processing manager. For the 1985 biennium, 3.35 additional FTE were eliminated because these positions were vacant in fiscal 1982 and were not filled as of November 1982.

Issue 1: Funding Change

The agency anticipates 8 percent less in federal funds for this program in the 1985 biennium than current level estimates. Chapter II of the Education Consolidation and Improvement Act of 1981, the education block grant, is the only federal fund supporting this program. OPI estimates \$596,940 will be available for program costs and indirect costs in the 1985 biennium, while current level estimates are \$651,838 for the 1985 biennium. OPI is requesting general fund support to maintain current level operating expenditures. This would cost the general fund \$17,956 in fiscal 1984 and \$36,942 in fiscal 1985.

SPECIAL SERVICES

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	26.75	24.75	24.75	24.75	(3.9)
<u>Fund Source</u>					
General Fund Approp.	\$ 128,121	\$ 144,643	\$ 136,098	\$ 102,046	(12.6)
Other Funds Approp.	<u>1,136,546</u>	<u>1,014,085</u>	<u>907,164</u>	<u>961,590</u>	<u>(13.1)</u>
Total Funds	<u>\$1,264,667</u> =====	<u>\$1,158,728</u> =====	<u>\$1,043,262</u> =====	<u>\$1,063,636</u> =====	<u>(13.0)</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$ 591,435	\$ 667,175	\$ 667,795	\$ 666,794	6.0
Operating Expenses	358,857	349,138	374,467	395,842	8.8
Equipment	<u>145,470</u>	<u>400</u>	<u>1,000</u>	<u>1,000</u>	<u>(98.6)</u>
Total Operating Costs	\$1,095,762	\$1,016,713	\$1,043,262	\$1,063,636	(0.2)
Non-Operating Expend.	<u>168,905</u>	<u>142,015</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$1,264,667</u> =====	<u>\$1,158,728</u> =====	<u>\$1,043,262</u> =====	<u>\$1,063,636</u> =====	<u>(13.0)</u> =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding Change	\$306,386	\$(306,386)	\$472,552	\$(472,552)

The Special Services Program is responsible for the administration of special education programs and other federal programs such as Chapter 1 of the Education Consolidation and Improvement Act of 1981 and bilingual education. This program is supported by federal funds and general fund. General fund supports a portion of the state budgeting for special education, the administration of the special services program, and the gifted and talented consultant.

In fiscal 1982, this program spent \$145,470 on capital equipment, primarily data processing equipment. The 47th Legislature did not appropriate funds for this purpose. During the year, budget amendments identified only \$52,040 for equipment purchases.

Current Fund Adjustments

Current level operations were maintained with the exception of capital equipment. One thousand dollars was provided each year of the biennium for office equipment.

Two FTE, education program consultants, were eliminated from this program in fiscal 1982 due to federal fund cutbacks.

Issue 1: Funding Change

The agency anticipates a \$778,938 decrease in federal funds from the current level estimate for the 1985 biennium and requests general fund replacement. The funds are for program costs and indirect costs. The reductions are anticipated to occur in the education block grant, education of the handicapped, national origins, and national diffusion network funds. If general fund replacement is provided, this would cost the general fund \$306,386 in fiscal 1984 and \$472,552 in fiscal 1985 before pay plan costs are considered. If general fund replacement is not provided, program reductions would occur. The Superintendent did not provide specific areas of program reductions.

POSTSECONDARY VOCATIONAL TECHNICAL CENTERS

POSTSECONDARY VOCATIONAL TECHNICAL CENTERS

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	240.58	\$10,190,728	\$15,872,146
LFA Current Level	<u>251.23</u>	<u>10,258,915</u>	<u>16,464,561</u>
Executive Over (Under) LFA	(10.65)	\$ (68,187)	\$ (592,415)
	====	=====	=====

Current level analysis utilizes a funding formula proposed by the Legislative Finance Committee. The executive budget developed the budget by establishing a base expenditure level and providing for inflation. Current level analysis provides higher expenditure levels in personal services, operating expenses, and equipment.

Table 1
Center Level Comparison
1985 Biennium

	-----Total Funds-----		
<u>Center</u>	<u>Executive</u>	<u>Current Level</u>	<u>Executive (Under) Over Current Level</u>
Billings	\$ 2,751,557	\$ 3,165,895	\$(414,338)
Butte	2,357,986	2,127,961	230,025
Great Falls	2,606,259	3,095,700	(489,441)
Helena	3,925,469	4,206,870	(281,401)
Missoula	<u>4,230,875</u>	<u>3,868,135</u>	<u>362,740</u>
System	\$15,872,146	\$16,464,561	\$(592,415)
	=====	=====	=====

Current level analysis estimates higher revenue from federal funds, tuition, and millage than the executive budget. Therefore, while current level expenditures are higher than the executive, most of that difference is funded by other funds.

POSTSECONDARY VOCATIONAL TECHNICAL CENTERS

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	254.83	NA	251.23	251.23	NA
<u>Fund Source</u>					
General Fund Approp.	\$4,396,866	\$4,991,947	\$5,048,809	\$5,210,106	9.3
Other Funds Approp.	2,706,175	3,052,001	3,070,027	3,135,619	7.0
Funds Budget Amended	<u>443,864</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$7,546,905 =====	\$8,043,948 =====	\$8,118,836 =====	\$8,345,725 =====	5.6 ===
<u>Expenditures by Object</u>					
Personal Services	\$5,944,743	\$6,003,305	\$6,155,208	\$6,282,822	4.1
Operating Expenses	1,427,335	1,839,544	1,752,155	1,855,816	10.4
Equipment	<u>174,827</u>	<u>201,099</u>	<u>211,473</u>	<u>207,087</u>	<u>11.3</u>
Total Operating Costs	\$7,546,905 =====	\$8,043,948 =====	\$8,118,836 =====	\$8,345,725 =====	5.6 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Weighted Instruction Cost	\$(12,078)	\$ -0-	\$(12,571)	\$ -0-

Montana's five postsecondary vocational technical centers, located in Billings, Butte, Great Falls, Helena, and Missoula, offer 31 different programs in seven different occupational areas. Approximately 2,555 students were served by the centers in fiscal 1982.

Funding History

The postsecondary vocational technical centers occupy a unique position among education institutions in Montana. Primary financial support for the centers comes from the state general fund. However, the control over the level of the major cost item, personal services, is with the high school district. The personnel at the centers, from the director to the custodian, are employees of the high school district.

The primary operations of the centers are funded by tuition fees, federal vocational education funds, a 1.5 mill levy in the county of the center's location, and state general fund. In addition, Section 29-7-326, MCA, allows the high school district to offer a voted levy to its electorate for the purpose of paying salaries and benefits to the vo-tech employees above the level appropriated by the legislature. The voted levy also funds the primary operations of the centers but these funds are not appropriated by the legislature.

The resident tuition fee at the centers is currently \$150 per student FTE per quarter. The revenue from tuition has been growing faster than any other revenue source because of student enrollment growth and tuition rate increases. In fiscal 1982, tuition accounted for 11.9 percent of the total appropriation for the postsecondary vo-tech system.

The permissive county mill levy began in 1969 with a one mill contribution. Currently, the permissive levy is 1.5 mills. Proportionately, revenue from millage has increased slightly in the past five years. In fiscal 1982 millage accounted for 10.7 percent of the total appropriation for the postsecondary vocational technical system.

Federal vocational education funds have been decreasing their support over the past five years. The federal funds are granted to the Office of Public Instruction. OPI reallocates the funds to the centers. In fiscal 1982, federal funds accounted for 16.9 percent of the total appropriation for the postsecondary vocational technical system.

State general fund has accounted for approximately 65 percent of total support for the past five years.

Student Enrollment

Student enrollments have been increasing in the vo-tech system since fiscal 1980 with a slight decline in fiscal 1983. Students are counted as full time equivalents (FTE) based on the student contact hours reported by the center to the Office of Public Instruction and a conversion factor. For several years, the conversion factor used to relate contact hours to FTE was 750 hours. This meant that a full time student was considered a student who attended class five hours a day for 50 days a quarter for three quarters during the year. The vo-tech centers either have longer

school days than five hours or have longer quarters than 50 days, and, in some cases both. The use of the 750 hour conversion tended to overstate FTE in relation to the actual number of students.

One recommendation by the Legislative Finance Committee's interim study¹ was to change the conversion factor to 1000 hours. This factor more accurately relates a FTE to a student attending the center full time.

Because a higher conversion is used, the student FTE count decreases. This new conversion factor was recommended by the Legislative Finance Committee in order to make the student FTE count more meaningful in relation to the number of students.

Table 1 illustrates how student FTE counts have been increasing since fiscal 1980. The table shows student FTE using the 750 hour and 1000 hour conversion for fiscal 1980 - 1983, and the estimated FTE for the 1985 biennium using the 1000 hour conversion factor. Student FTE were estimated to increase 2.85 percent for the system in each year of the 1985 biennium from the fiscal 1983 estimated level of 2547 FTE. Student FTE are expected to be 2620 in fiscal 1984 and 2700 in fiscal 1985 for the system.

¹Commissioned by House Joint Resolution 46 passed by the 47th Legislature.

Table 1
 Historical & Estimated Student FTE
 750 Hour Conversion factor*/1000 hour Conversion factor
 Fiscal 1980 - 1985**

	<u>Billings</u>	<u>Butte</u>	<u>Gt. Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>System</u>
	-----Actual-----					
Fiscal 1980	416.4 (555.0)	285.0 (380.0)	370.6 (494.0)	587.2 (783.0)	494.5 (659.0)	2153.7 (2871.0)
Fiscal 1981	460.5 (614.0)	311.7 (416.0)	434.8 (580.0)	662.6 (883.0)	531.2 (708.0)	2400.8 (3201.0)
Fiscal 1982	*** 519.1 (692.2)	322.5 (430.3)	487.8 (650.5)	677.5 (903.2)	547.6 (730.2)	2554.5 3395.9
	-----Estimated-----					
Fiscal 1984	506.0	333.0	487.0	694.0	600.0	2620.0
Fiscal 1985	521.0	343.0	502.0	716.0	618.0	2700.0

*FTE developed by 750 hour conversion factor is in parenthesis for comparison.

**Fiscal 1984 and 1985 used 1000 hour conversion factor only.

***Reflects deletion of Farm and Ranch Program.

Interim Study

The 47th Legislature passed House Joint Resolution 46 which requested the Legislative Finance Committee to study the laws and funding processes of the Postsecondary Vocational Technical Centers and to make recommendation to the 48th Legislature for changes in the laws and the existing budgeting formula. The committee determined an appropriate budgeting formula would include the following characteristics:

(1) The centers' operations would be budgeted in five different areas: instruction, support, plant operation and maintenance, variable equipment, and capital equipment;

(2) The instruction budget would be based on one of two options: a flat rate per student FTE or a weighted program cost per student FTE;

(3) The plant operation and maintenance budget would be based on each center's actual base year plant operation and maintenance expenditures;

(4) The support budget (i.e., administration, student services) would be based on staffing patterns recommended by the Office of Public Instruction and system average costs for support related expenditures;

(5) The equipment budget would be separated into variable equipment and capital equipment. Capital equipment would be zero based; and

(6) One thousand student contact hours would be used as the conversion standard from contact hours to student FTE.

This proposed new formula differs from the existing budgeting formula in that the new formula recognizes some equipment expenditures are dependent upon student FTE and the support personnel staffing pattern should be more similar among the centers. In addition, there is a chance for program weight differentiation with the new formula.

Instruction Cost Component

The committee determined the instruction budget should be based on either a flat cost per student or on a weighted program cost per student.

The flat rate per student is similar to what was used in the last regular session. The rate is based on the average cost per student for the postsecondary vo-tech system in the base year. The costs included in the rate are personal services and operating expenses. Inflation adjustments are made to the operating portion of the rate for fiscal 1984 and fiscal 1985.

The weighted program cost per student is based on the cost per student in one program relative to the system average cost per student for all programs. This approach recognizes cost differences among the programs based on the system's historical expenditure patterns.

Table 2 illustrates the actual cost per student in fiscal 1982, the appropriated cost per student in fiscal 1983, and the estimated cost per student in the 1985 biennium using the current level option.

Table 2
Instruction Cost Component Comparison

	Actual FY '82	Appropriated FY '83	Current Level FY '84	Option ¹ FY '85
Billings	\$1,619	\$2,112	\$1,848	\$1,862
Butte	1,841	2,112	1,848	1,862
Great Falls	1,348	2,112	1,848	1,862
Helena	1,537	2,112	1,848	1,862
Missoula	1,982	2,112	1,848	1,862
Student Weighted Average	\$1,649 =====	\$2,112 =====	\$1,848 =====	\$1,862 =====
Student FTE	2,562	2,436	2,620	2,700

¹Does not include salary increases.

Support Cost Component

Historically, the types and level of support services provided among centers have been very diverse. The committee determined these services should be more similar among the centers. Therefore, the staffing patterns recommended in the Office of Public Instruction's 1982 policy and procedures manual for the postsecondary vocational technical centers were adopted as the guide to develop the budget for support service areas exclusive of plant operation and maintenance. This will cause some centers to receive a proportionately higher support budget in the 1985 biennium than what they received in the 1983 biennium. Conversely, other centers will receive a lower support budget than they had received in the 1983 biennium. Overall, the system would receive more in the 1985 biennium for support services with the new formula compared to what they would receive if the old formula had been used. Table 3 below illustrates the effect of the new formula on each center's support service budget for the 1985 biennium.

Table 3
Support Services Budget
Old versus New Formulas
1985 Biennium

<u>Center</u>	-----Support Budget-----		
	<u>Old Formula</u>	<u>New Formula</u>	<u>Difference</u>
Billings	\$ 687,849	\$ 792,569	\$ 104,720
Butte	717,641	666,240	(51,401)
Great Falls	715,579	777,801	62,222
Helena	758,908	852,423	93,515
Missoula	<u>886,020</u>	<u>850,041</u>	<u>(35,979)</u>
System Total	<u>\$3,765,997</u> =====	<u>\$3,939,074</u> =====	<u>\$173,077</u> =====

Plant Operation and Maintenance Cost Component

The committee felt each center's physical plant expenses should be budgeted individually because of the differences among the centers. Therefore, each center's current level plant operating and maintenance expenses, except personal services, were adjusted for inflation for the 1985 biennium.

Equipment Cost Component

The committee determined it would be appropriate to budget for capital equipment in two ways. First, a portion of the capital equipment budget would be considered variable and FTE driven. This would provide funds for small unit cost capital equipment. All capital equipment with a unit cost less than an established level would have to be purchased from the variable portion of the capital equipment appropriation.

Second, major capital equipment would continue to be zero-based for each center. Major equipment would be considered equipment with a unit cost above an established level, such as \$2,500, or \$1,000.

The committee did not establish a specific level at which point the unit cost of the equipment would identify the equipment as variable or major. The budget analysis considered \$1,000 as the unit cost delineation between variable equipment and major capital equipment.

Table 4 illustrates the allocation of variable equipment and capital equipment for each center for the 1985 biennium.

Table 4
Allocation of Variable Equipment & Capital Equipment by Center
1985 Biennium

	<u>FY '84</u>	<u>FY '85</u>
Billings		
Variable (\$33/FTE)	\$16,698	\$17,193
Capital	<u>12,595</u>	<u>25,587</u>
Total	\$29,293 =====	\$42,780 =====
Butte ¹		
Variable (\$33/FTE)	\$10,989	\$11,319
Capital	<u>-0-</u>	<u>-0-</u>
Total	\$10,989 =====	\$11,319 =====
Great Falls		
Variable (\$33/FTE)	\$16,071	\$16,566
Capital	<u>34,000</u>	<u>27,100</u>
Total	\$50,071 =====	\$43,666 =====
Helena		
Variable (\$33/FTE)	\$22,902	\$23,628
Capital	<u>47,368</u>	<u>35,000</u>
Total	\$70,270 =====	\$58,628 =====
Missoula		
Variable (\$33/FTE)	\$19,800	\$20,394
Capital	<u>31,050</u>	<u>30,300</u>
Total	\$50,850 =====	\$50,694 =====

¹ Butte Vo-Tech did not submit a request for capital equipment.

Current Level Adjustments

Expenditures. The current level expenditures shown in the system's main table and each center's main table are the result of using the formula developed by the Legislative Finance Committee.

Table 5 illustrates the summary of cost components for the current level option by center for the 1985 biennium. The current level option developed the instruction component with a flat rate per student FTE. The instruction cost per student used was \$1,848 in fiscal 1984 and \$1,862 in fiscal 1985. The variable equipment rate was \$33 per student FTE each year of the biennium. Capital equipment with a unit cost above \$1,000 was considered from the centers' requests. The support component reflects consideration of similar staffing patterns among the centers and plant operation and maintenance costs are estimated individually for each center. Pay plan increases are not included in the cost estimates. Audit costs of \$17,500 for each center for the 1985 biennium are included in fiscal 1984. With this current level option, total expenditures are estimated to increase 5.6 percent in the 1985 biennium.

Table 5
Summary of Cost Components/Current Level Option
1985 Biennium

	<u>FY '84</u>	<u>FY '85</u>
Billings		
Instruction	\$ 935,088	\$ 970,102
Support	393,633	398,936
Operation & Maintenance	178,305	200,258
Variable Equipment	16,698	17,193
Capital Equipment	12,595	25,587
Audit	17,500	-0-
Total	<u>\$1,553,819</u>	<u>\$1,612,076</u>
Butte		
Instruction	\$ 615,384	\$ 638,666
Support	331,118	335,122
Operations & Maintenance	80,416	87,447
Variable Equipment	10,989	11,319
Capital Equipment	-0-	-0-
Audit	17,500	-0-
Total	<u>\$1,055,407</u>	<u>\$1,072,554</u>
Great Falls		
Instruction	\$ 899,976	\$ 934,724
Support	387,303	390,498
Operation & Maintenance	177,372	194,590
Variable Equipment	16,071	16,566
Capital Equipment	34,000	27,100
Audit	17,500	-0-
Total	<u>\$1,532,222</u>	<u>\$1,563,478</u>
Helena		
Instruction	\$1,282,512	\$1,333,192
Support	423,412	429,011
Operation & Maintenance	280,022	312,323
Variable Equipment	22,902	23,628
Capital Equipment	47,368	35,000
Audit	17,500	-0-
Total	<u>\$2,073,716</u>	<u>\$2,133,154</u>
Missoula		
Instruction	\$1,108,800	\$1,150,716
Support	422,104	427,937
Operation & Maintenance	304,418	335,116
Variable Equipment	19,800	20,394
Capital Equipment	31,050	30,300
Audit	17,500	-0-
Total	<u>\$1,903,672</u>	<u>\$1,964,463</u>
Total Cost	<u>\$8,118,836</u>	<u>\$8,345,725</u>

Revenue. The revenue sources that support the primary operations of the centers and are appropriated by the legislature are tuition, millage, federal funds, and general fund.

During Special Session I of the 47th Legislature, federal vo-ed funds were estimated to be \$2,086,950 with \$843,682 earmarked for the centers. The legislature appropriated \$229,508 as a contingency in the event federal funds available for the centers were less than \$1,078,492. Before the centers can receive the contingency, the resident tuition rate must be \$150 per quarter per full-time student.

House Bill 2 states that in the event federal vo-ed funds in fiscal 1983 exceeded \$2,086,950, OPI should make the additional funds available to the centers and stay within the limits of federal law. When the federal grant notice was received in fiscal 1983, the total grant amount was \$2,363,678. OPI had identified \$1,000,046 for the centers; however, this office has determined the grant to the centers should be \$1,023,246. This federal funding level was used in the current level analysis for fiscal 1984 and 1985.

The distribution of federal funds to the postsecondary centers is in concert with the approach proposed by OPI in its five-year plan for vocational education. This approach addresses certain factors, such as the school district's ability to pay and the local unemployment rate, when the distribution of funds is made.

The permissive county millage is estimated from county taxable values estimated for the 1985 biennium. The millage revenue for the system is estimated to increase approximately 4 percent in 1984 and 3.5 percent in fiscal 1985 because of estimated enrollment increases.

Resident tuition rates are currently \$150 per student FTE per quarter. The current level option did not consider changing tuition rates. Revenue from tuition is expected to increase .5 percent in fiscal 1984 and 3 percent in fiscal 1985 because of estimated enrollment increases.

General fund completes the funding mix. With the current level option, general fund is estimated to increase 1.1 percent in fiscal 1984 and 3.2 percent in fiscal 1985.

Table 6 summarizes the revenue for each center for the 1985 biennium.

Table 6
Revenue Summary by Center/Current Level Option
1985 Biennium

	<u>Billings</u>	<u>Butte</u>	<u>Gt. Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>System Total</u>
FY '84						
Millage	\$ 318,154	\$ 82,672	\$ 154,595	\$ 95,301	\$ 217,059	\$ 867,781
Tuition	227,700	149,850	219,150	312,300	270,000	1,179,000
Federal	136,092	224,091	209,765	253,765	199,533	1,023,246
Gen. Fund	<u>871,873</u>	<u>598,794</u>	<u>948,712</u>	<u>1,412,350</u>	<u>1,217,080</u>	<u>5,048,809</u>
Total	<u>\$1,553,819</u>	<u>\$1,055,407</u>	<u>\$1,532,222</u>	<u>\$2,073,716</u>	<u>\$1,903,672</u>	<u>\$8,118,836</u>
FY '85						
Millage	\$ 329,003	\$ 85,491	\$ 159,867	\$ 98,551	\$ 224,461	\$ 897,373
Tuition	234,450	154,350	225,900	322,200	270,000	1,215,000
Federal	136,092	224,091	209,765	253,765	199,533	1,023,246
Gen. Fund	<u>912,531</u>	<u>608,622</u>	<u>967,946</u>	<u>1,458,638</u>	<u>1,270,469</u>	<u>5,210,106</u>
Total	<u>\$1,612,076</u>	<u>\$1,072,554</u>	<u>\$1,563,478</u>	<u>\$2,133,154</u>	<u>\$1,964,463</u>	<u>\$8,345,725</u>

Issue 1: Weighted Instruction Cost

The alternative to using a flat rate per student for the instruction component is to use a program weighted cost per student. This would affect the distribution of funds to each center because of the program mix differences that exist within the postsecondary vo-tech system. However, the total funding of the system would not materially change. Table 7 shows the comparison of total expenditures resulting from using a flat cost and a program weighted cost per student by center for 1984 and 1985. As shown in the table, expenditures would decrease \$12,078 in fiscal 1984 and \$12,570 in fiscal 1985 by using a program weighted cost. These changes would affect the general fund portion of the funding mix.

Table 7
Total Budgeted Expenditures by Using Program Weighted Cost
Versus Flat Cost per Student FTE - 1985 Biennium

	Program Weighted Cost		Current Level Option Flat Cost		Weighted Cost Over -(Under) Flat Cost-	
	-----Per Student-----		-----Per Student-----			
	<u>FY '84</u>	<u>FY '85</u>	<u>FY '84</u>	<u>FY '85</u>	<u>FY '84</u>	<u>FY '85</u>
Billings	\$1,576,601	\$1,635,700	\$1,553,819	\$1,612,076	\$ 22,782	\$ 23,624
Butte	1,036,787	1,053,225	1,055,407	1,072,554	(18,620)	(19,329)
Great Falls	1,512,727	1,543,236	1,532,222	1,563,478	(19,495)	(20,242)
Helena	2,056,114	2,114,854	2,073,716	2,133,154	(17,602)	(18,300)
Missoula	<u>1,924,529</u>	<u>1,986,139</u>	<u>1,903,672</u>	<u>1,964,463</u>	<u>20,857</u>	<u>21,676</u>
System	<u>\$8,106,758</u>	<u>\$8,333,164</u>	<u>\$8,118,836</u>	<u>\$8,345,725</u>	<u>\$(12,078)</u>	<u>\$(12,571)</u>

BILLINGS VOCATIONAL TECHNICAL CENTER

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	48.05	NA	52.42	52.42	NA
<u>Fund Source</u>					
General Fund Approp.	\$ 627,507	\$ 687,715	\$ 871,873	\$ 912,531	35.7
Other Funds Approp.	641,914	737,124	681,946	699,545	0.2
Funds Budget Amended	<u>74,784</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,344,205</u> =====	<u>\$1,424,839</u> =====	<u>\$1,553,819</u> =====	<u>\$1,612,076</u> =====	<u>14.3</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$1,048,484	\$1,008,973	\$1,176,344	\$1,200,261	15.5
Operating Expenses	284,285	402,382	348,182	369,035	4.4
Equipment	<u>11,436</u>	<u>13,484</u>	<u>29,293</u>	<u>42,780</u>	<u>189.2</u>
Total Operating Costs	<u>\$1,344,205</u> =====	<u>\$1,424,839</u> =====	<u>\$1,553,819</u> =====	<u>\$1,612,076</u> =====	<u>14.3</u> =====

The new funding formula would give Billings Vo-Tech Center a 14.3 percent increase primarily because of the increased support services and an increase in equipment. The large increase in general fund and corresponding small increase in other funds is due to the revised federal fund distribution. Pay plan increases are not included.

BUTTE VOCATIONAL TECHNICAL CENTER

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	37.33	NA	35.35	35.35	NA
<u>Fund Source</u>					
General Fund Approp.	\$ 680,227	\$ 798,496	\$ 598,794	\$ 608,622	(18.3)
Other Fund Approp.	354,806	393,998	456,613	463,932	22.9
Funds Budget Amended	<u>115,360</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,150,393</u>	<u>\$1,192,494</u>	<u>\$1,055,407</u>	<u>\$1,072,554</u>	<u>(9.2)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 977,813	\$ 991,281	\$ 845,554	\$ 861,501	(13.3)
Operating Expenses	150,180	179,063	198,864	199,734	21.1
Equipment	<u>22,400</u>	<u>22,150</u>	<u>10,989</u>	<u>11,319</u>	<u>(50.0)</u>
Total Operating Costs	<u>\$1,150,393</u>	<u>\$1,192,494</u>	<u>\$1,055,407</u>	<u>\$1,072,554</u>	<u>(9.2)</u>

Expenditures for Butte Vo-Tech Center show a 9.2 percent decrease in the 1985 biennium. The major cause of the decrease is the average cost per student for the system is less than Butte's cost in fiscal 1982. The funding formula decreased support personnel by 1.98 FTE. The Butte center did not have a request for new capital equipment; therefore, major capital equipment was not included in the current level analysis. Pay plan increases are not included.

The large increase in other funds appropriated is due to the change in federal fund distribution proposed by OPI.

GREAT FALLS VOCATIONAL TECHNICAL CENTER

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	45.10	NA	46.17	46.17	NA
<u>Fund Source</u>					
General Fund Approp.	\$ 700,690	\$ 810,269	\$ 948,712	\$ 967,946	26.9
Other Funds Approp.	447,882	517,514	583,510	595,532	22.1
Funds Budget Amended	<u>38,220</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	<u>\$1,186,792</u>	<u>\$1,327,783</u>	<u>\$1,532,222</u>	<u>\$1,563,478</u>	<u>23.1</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 938,867	\$ 981,706	\$1,174,888	\$1,198,819	23.6
Operating Expenses	209,904	296,177	307,263	320,993	24.1
Equipment	<u>38,021</u>	<u>49,900</u>	<u>50,071</u>	<u>43,666</u>	<u>6.6</u>
Total Operating Costs	<u>\$1,186,792</u>	<u>\$1,327,783</u>	<u>\$1,532,222</u>	<u>\$1,563,478</u>	<u>23.1</u>

Expenditures for the Great Falls Vo-Tech Center show an increase of 23.1 percent in the 1985 biennium. This is primarily because the support services available at the center in fiscal 1982 were at a lower level than the support services developed from the formula. The Great Falls Vo-Tech Center's average instruction cost per student FTE in fiscal 1982 was much lower than the system's average cost estimated for fiscal 1984 and 1985. This will cause a large increase in overall expenditures. Pay plan increases are not included.

HELENA VOCATIONAL TECHNICAL CENTER

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	57.16	NA	56.79	56.79	NA
<u>Fund Source</u>					
General Fund Approp.	\$1,187,642	\$1,381,865	\$1,412,350	\$1,458,638	11.7
Other Funds Approp.	570,243	644,640	661,366	674,516	10.0
Funds Budget Amended	<u>89,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$1,846,885 =====	\$2,026,505 =====	\$2,073,716 =====	\$2,133,154 =====	8.6 ===
<u>Expenditures by Object</u>					
Personal Services	\$1,409,253	\$1,447,191	\$1,535,138	\$1,570,252	8.7
Operating Expenses	380,032	514,464	468,308	504,274	8.7
Equipment	<u>57,600</u>	<u>64,850</u>	<u>70,270</u>	<u>58,628</u>	<u>5.3</u>
Total Operating Costs	\$1,846,885 =====	\$2,026,505 =====	\$2,073,716 =====	\$2,133,154 =====	8.6 ===

Expenditures show an increase of 8.6 percent for the 1985 biennium.
The formula estimated .37 FTE less support personnel in the 1985 biennium.
Pay plan increases are not included.

MISSOULA VOCATIONAL TECHNICAL CENTER

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	67.19	NA	60.50	60.50	NA
<u>Fund Source</u>					
General Fund Approp.	\$1,200,800	\$1,313,602	\$1,217,080	\$1,262,369	(1.4)
Other Funds Approp.	691,330	758,725	686,592	702,094	(4.2)
Funds Budget Amended	<u>126,500</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$2,018,630 =====	\$2,072,327 =====	\$1,903,672 =====	\$1,964,463 =====	(5.4) =====
<u>Expenditures by Object</u>					
Personal Services	\$1,570,326	\$1,574,154	\$1,423,284	\$1,451,989	(8.5)
Operating Expenses	402,934	447,458	429,538	461,780	4.8
Equipment	<u>45,370</u>	<u>50,715</u>	<u>50,850</u>	<u>50,694</u>	<u>5.7</u>
Total Operating Costs	\$2,018,630 =====	\$2,072,327 =====	\$1,903,672 =====	\$1,964,463 =====	(5.4) =====

The Missoula Vo-Tech Center shows a decrease in expenditures of 5.4 percent. The major cause of this decrease is the support services offered at Missoula in fiscal 1982 exceeded the support service level developed by the funding formula. Also, the average instruction cost per student FTE exceeded the system's average in fiscal 1982. Pay plan increases are not included.

PUBLIC SCHOOLS

PUBLIC SCHOOL SUPPORT

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	0.00	\$ 65,404,014	\$ 65,404,014
LFA Current Level	0.00	129,693,200	129,693,200
Executive Over (Under) LFA	0.00	\$(64,289,186)	\$(64,289,186)
	=====	=====	=====

The differences in general fund for Public School Support result from several factors shown in the Table 1. These include higher expenditures at LFA current level and lower nongeneral fund revenues.

Table 1
Executive - LFA Current Level Comparison for Public Schools
(X \$1,000,000)

	Executive	LFA Current Level	Executive Over (Under) Current Level
Foundation	\$496.54	\$548.80	\$(52.26)
Special Education	56.42	56.16	.26
Impact Aid	6.00	0.00	6.00
Total Expenses	\$558.96	\$604.96	\$ 46.00
	=====	=====	=====
40 Mill Levy	\$184.19	\$184.74	\$ (.55)
Other County Equalization	(7.22)	(5.09)	(2.13)
25% Income Tax	85.47	89.30	(3.83)
25% Corporate Tax	23.09	20.47	2.26
5% Coal Tax	11.09	11.22	(.13)
Interest & Income	76.90	81.40	(4.50)
Federal Mineral Leasing	25.87	24.40	1.47
Coal Trust Interest	11.16	9.78	1.38
Account Balance	30.74	6.35	24.39
District Permissive	52.27	52.70	(.43)
Total Nongeneral Fund Revenues	\$493.56	\$475.27	\$ 18.29
General Fund Revenues	65.40	129.69	(64.29)
Total Revenues	\$558.96	\$604.96	\$ 46.00
	=====	=====	=====

PUBLIC SCHOOLS

The executive includes \$30,740,000 in account balances. The LFA anticipates \$6,350,000 in account balances will be used and \$32,000,000 of general fund will be reverted. The executive contemplates no reversion. The \$32,000,000 had been approximated as a contingency to be used to the extent other foundation program revenues proved insufficient. We estimate none will be needed in the current biennium.

The executive budget contemplates no increase in foundation program schedule while the LFA current level includes 6.5 and 7.0 percent schedule increases in fiscal 1984 and 1985 respectively. This explains the \$52.26 million difference in foundation program costs.

Current level does not include funds for reductions in federal impact aid. The executive provides \$6.0 million for this purpose though we were unable to obtain any plan on how such funds would be distributed.

PUBLIC SCHOOL SUPPORT
FOUNDATION AND PERMISSIVE INCLUDING SPECIAL EDUCATION

<u>Fund Source</u>	<u>Actual Fiscal 1982</u>	<u>Appropriated Fiscal 1983</u>	<u>LFA Current Fiscal 1984</u>	<u>Level Fiscal 1985</u>	<u>% Change Biennium 1983-85</u>
General Fund Approp.	\$23,524,456	\$25,835,126	\$58,538,240	\$71,154,960	162.8

ISSUES

	<u>-----Fiscal 1984-----</u>		<u>-----Fiscal 1985-----</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. 55-mill Mandatory Levy	\$(8,610,000)	\$ -0-	\$(8,950,000)	\$ -0-
2. Guaranteed Tax Base Program				
Option a.	\$41,560,000	\$ -0-	\$44,450,000	\$ -0-
Option b.	22,550,000	-0-	3,890,000	-0-
Option c.	17,300,000	-0-	18,300,000	-0-

Public School funding assists school districts in providing education of students in kindergarden through high school and in Special Education programs. In 1982 the Foundation and Permissive Program, often collectively referred to as the Foundation Program, provided 70.6 percent of all public school districts' general fund budgets, including special education. The remainder of the districts' general fund budgets were financed from district voted property taxes, federal impact aid, interest, and other local revenues.

The total cost of the foundation program is determined from an amount per average number belonging (ANB), which is designated by statutory schedules, and the number of ANB in each district. ANB is a measure of enrollment. Special Education amounts are determined by OPI approval. Table 1 summarizes the actual and LFA current level schedule changes.

Table 1
Percent Increases in Public School Funding Schedules

<u>Fiscal Year</u>	<u>Percent Increase in Statutory Schedules</u>
1978	7
1979	7
1980	8
1981	10
1982	18
1983	15
-----LFA Current Level-----	
1984	6.5
1985	7

The current level projection is based upon application of inflation factors applied to all state agencies. It reflects the increased cost of providing the same services on a per student basis. No adjustment is made to increase or decrease the portions of the districts' general fund budgets covered by the foundation and permissive program.

Enrollment

The second determinant of public school funding is ANB enrollment. The enrollment, after declining for several years at both the elementary and secondary levels, is projected to begin increasing in the elementary schools. High school enrollment is projected to continue its decline until fiscal 1986. Table 2 illustrates projected and actual enrollments.

Table 2
Public School Enrollments (ANB)

<u>Fiscal Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
1978	111,749	58,368	170,117
1979	110,307	57,357	167,664
1980	107,456	55,820	163,276
1981	104,710	53,475	158,185
1982	104,039	50,292	154,331
-----Projected-----			
1983	104,260	47,914	152,174
1984	104,762	45,652	150,414
1985	105,285	44,743	150,028

Revenues

The Foundation Program is funded from a variety of tax and nontax sources. Table 3 illustrates projected nongeneral fund revenues available for Foundation and Permissive funding.

The cost of Foundation and Permissive funding not covered by these revenues comes from state general fund appropriations.

Table 3
Public School Revenues
(Figures x \$1,000,000)

<u>Revenues Available</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
County Equalization 40 Mill Levy ²	\$88.18	\$86.52	\$90.20
Light Vehicle Fees and Replacement Funds	4.01	4.01	4.01
Forest Funds	2.69	1.50	1.50
Grazing Funds	.12	.12	.12
Elementary Trans.	(3.20)	(3.41)	(3.62)
High School Tuition	<u>(.65)</u>	<u>(.65)</u>	<u>(.65)</u>
Total	\$ 91.15	\$ 88.09	\$ 91.56
State Equalization			
25 Percent Income Tax	\$38.26	\$43.33	\$45.97
25 Percent Corp. Tax	10.20	9.76	10.71
5 Percent Coal Tax	4.12	5.02	6.20
Interest and Income	37.90	39.60	41.80
Federal Mineral Leasing	11.30	11.90	12.50
Coal Trust Interest	3.57 ¹	4.45	5.33
Balance Available	<u>36.35</u>		
Total	\$141.70	\$114.06	\$122.51
District Permissive (Includes Light Vehicle Fees and Replacement Funds)	<u>26.30</u>	<u>25.83</u>	<u>26.87</u>
TOTAL REVENUES	<u>\$259.15</u> =====	<u>\$227.98</u> =====	<u>\$240.94</u> =====

¹Excludes \$32,000,000 general fund appropriated for the 1983 biennium, which reverts to general fund at the end of the 1983 biennium.

²County surplus included in county equalization.

The calculation of general fund appropriations required for public school funding is illustrated in Table 4. This calculation shows that to the extent costs exceed available Foundation Program revenues, the general fund appropriation makes up the deficit. The cost of public school support, excluding special education, is estimated to be \$292.87 million in

fiscal 1984 and \$312.09 million in fiscal 1985 based upon the 6.5 percent and 7.0 percent schedule increase.

Table 4
General Fund Appropriation
Foundation and Permissive
(x \$1,000,000)

	-----Fiscal Year-----		
	<u>1983</u>	<u>1984</u>	<u>1985</u>
Revenues			
General Fund ¹	\$ 25.84 ³	\$ 0.00	\$ 0.00
Nongeneral Funds ²	<u>259.15</u>	<u>234.33</u> ⁴	<u>240.94</u>
Total Available	\$284.99 =====	\$234.33 =====	\$240.94 =====
Expenditures			
Regular Programs	\$252.80	\$265.59	\$283.21
Special Education	<u>25.84</u>	<u>27.28</u>	<u>28.88</u>
Total Cost	\$278.64 =====	\$292.87 =====	\$312.09 =====
Surplus (Deficit)	6.35	(58.54)	(71.15)
General Fund Required	\$ 0.00 =====	\$ 58.54 =====	\$ 71.15 =====

¹Special Education appropriation for fiscal 1983.

²See Table 3.

³Excludes \$32,000,000 general fund appropriated in the 1983 biennium which will revert to the genral fund.

⁴Includes \$6,350,000 surplus from fiscal 1983.

Special Education Funds

Special Education funds provide for support of these programs in local school districts, a contingency fund, and state centralized audio-logical testing.

Table 5
Special Education Funding

<u>Fiscal Year</u>	<u>Foundation & Permissive</u>	<u>Contingency Fund</u>	<u>Audiology</u>
1982	\$22,427,028	\$457,840	\$639,588
1983	24,584,537	500,000	750,589
1984	26,059,600	500,000	718,640
1985	27,623,200	500,000	761,760

Federal and state laws direct school districts to provide a free and appropriate public education program for all handicapped children. These education programs, known as Special Education, provide education to children with varying handicapping conditions.

The school districts negotiate a Special Education budget with the Office of Public Instruction. These budgets become a part of the districts' maximum general fund without a vote budget and are paid from the Foundation Program.

The Special Education funds for the 1985 biennium were estimated based on fiscal 1982 expenditures with allowances for inflation. Table 5 illustrates the current level funding.

A contingency fund was provided for the Special Education budget beginning in the 1981 biennium. The purpose of the contingency fund was to provide the school districts a buffer against unexpected, new students in the Special Education Program. The contingency was also meant to serve as a deterrent against overbudgeting. The contingency fund is maintained at \$1,000,000 for the 1985 biennium as it was in the 1983 biennium.

The audiology funds are appropriated to OPI for the purpose of providing audiological screening assessment and followup consultation to persons in Montana between the ages of birth and 21. These services are contracted to local agencies across the state who do the actual testing. The appropriation for the 1985 biennium was based on 1982 expenditures with allowances for inflation.

No adjustment was made for enrollment changes.

Issue 1: Fifty-five Mill Mandatory Levy

Currently two property tax levies are used to support the Foundation Program. The first of these is the mandatory 40-mill county levy. This is actually a 25-mill elementary and a 15-mill secondary levy. The proceeds of this levy in excess of the amount required to fund all foundation program requirements in each county are deposited in the state equalization fund. The state equalization fund is used to fund the foundation requirements in counties where revenues from the 40-mill levy are insufficient. This process of paying the excess earnings on the 40-mill levy into the state equalization fund is called "recapture".

The second property tax levy is the 15-mill district permissive levy. Like the 40-mill levy, this is really a 9-mill elementary levy and a 6-mill secondary levy. Unlike the 40-mill levy, this levy is not currently subject to recapture. This means that a district (remember the 15-mill levy is a permissive district levy) which only needs a portion of the levy to meet its permissive requirements, may only levy that portion needed. The permissive requirement is 20 percent of the maximum general fund without a vote set by statutory schedules. For example, in fiscal 1982 the Colstrip elementary district could raise its permissive amount with a two mill levy and therefore could not levy the full nine mills. No funds are recaptured for redistribution to districts who, even after levying the full levy, cannot meet their permissive requirements. State equalization funds are used for this purpose.

Under the proposal developed by the Joint Subcommittee on Education, the 15-mill levy would be made mandatory and subject to recapture. The amount of funds recaptured would be approximately \$8.61 million in fiscal 1984 and \$8.95 million in fiscal 1985. Because the state is currently assisting the districts who cannot meet their permissive requirement, the state general fund cost would be reduced by the amount recaptured.

The major impact of this program would be felt in districts that have high property valuation in relation to the number of school students. These districts would see property taxes rise as their permissive levy goes to the full 15-mill rate. This could result in tax increases exceeding 10 mills in some districts.

The additional funds could be used to increase funding to all districts through further raises in statutory schedules, increased aid for school districts with low property valuations through the proposed guaranteed tax base program, or to reduce state general fund requirements of the Foundation Program.

Issue 2: Guaranteed Tax Base Program

This proposal, submitted by the Joint Subcommittee on Education would provide a guarantee of a minimum taxable value per ANB to all districts of the state. This guarantee would apply to a predetermined budget level. In the joint subcommittees' recommendation the level was 150 percent of the maximum general fund without a vote determined by statutory schedules. In addition, a fixed portion of the districts' local nontax revenue would be applied towards the guaranteed budget level prior to the state guarantee.

The cost, extent of equalization, and number of districts affected by this proposal depends on: (1) the amount of taxable value per ANB guaranteed, (2) the budget level subject to guarantee, (3) the portion of nontax local revenue the district must apply, and (4) the level of budget the district adopts.

The number of districts that will qualify for aid and the amount of aid each district will receive is directly related to the guaranteed taxable value per ANB. Districts whose actual taxable value per ANB is in excess of the guaranteed level would receive no aid. Therefore, if the guaranteed taxable value is low, only the property-poor districts would receive aid. Conversely, if the guaranteed taxable value is set high, many districts will qualify. The level of guaranteed taxable value also determines the amount of aid each district will receive. This is illustrated in Table 6.

Table 6
Effect of Changing Guaranteed Taxable Value on State Aid

Guaranteed Taxable Value Per ANB	Districts Actual Taxable Value Per ANB	Percent of Guaranteed ¹ Budget Paid By	
		<u>District</u>	<u>State</u>
\$15,000	\$20,000	100	0
\$25,000	\$20,000	80	20
\$40,000	\$20,000	50	50

¹ Assuming no nontax revenues.

As Table 6 shows, when the guaranteed value per ANB is less than the districts' actual taxable value per ANB, the state does not participate. However, as the guaranteed taxable value per ANB exceeded the districts' actual taxable value, the state begins sharing in provisions of the guarantee. The actual share is determined by the ratio of the districts' actual taxable value per ANB to the guaranteed taxable value per ANB.

The amount of aid a district receives also depends on the budget level subject to guarantee and the level of budget adopted by the district. The lower the budget level guaranteed or set by the district, the less aid provided by the state.

Table 7 illustrates the impact of changing guaranteed budget level on state aid.

Table 7
Effect of Changing Guaranteed Budget Level
in a Sample District

Sample High School District

Maximum general fund without a vote = \$1,771 /ANB or \$1,771,000.

Guaranteed taxable value per ANB = \$40,000.

Districts' actual taxable value per ANB = \$20,000.

Maximum General Fund Without A Vote	Maximum Budget Level Subject to Guarantee % of MGF*	Total	Guaranteed Budget Amount	Percent State	State Aid
\$1,771,000	160	\$2,833,600	\$1,062,600	50	\$531,300
1,771,000	150	2,655,500	794,500	50	397,250
1,771,000	140	2,479,400	798,400	50	354,200
1,771,000	130	2,302,000	531,000	50	265,500

*Maximum general fund without a vote.

Table 7 illustrates that as the guaranteed budget level in the second column declines from 160 percent of maximum general fund without a vote to 130 percent of maximum general fund without a vote, in this hypothetical example, the state aid is cut in half. A similar effect would occur if the district adopted a budget of 130 percent of maximum general fund without a vote while maximum budget level subject to guarantee was 160 percent.

The portion of local nontax revenue the district must apply prior to state guarantee will reduce the amount of state aid and district property tax funds that must be applied to reach any guaranteed budget level. Under the subcommittee proposal, 70 percent of local nontax revenues must be applied toward the guaranteed budget before state guarantee funds are used.

The level of guaranteed value per ANB, the budget level subject to guarantee, and the percent of local nontax revenues offset provide the legislature with policy tools to focus aid to elementary and secondary education. Given any level of total funding, a lower guaranteed taxable value per ANB and a higher budget level targets funds on the few most

property-poor districts. A higher guaranteed taxable value would disburse the funds among more school districts while providing less aid to each. The three following options present an example of the choices. The possibilities are unlimited.

OPTIONS

Option a:

Guaranteed Taxable Value/ANB	<u>1984</u>	<u>1985</u>
High School	\$47,380	\$51,630
Elementary	20,650	21,940
Statutory Schedule Increase	6.5%	7.0%
Guaranteed Budget Level	150% of Maximum General Fund Without A Voted Levy	

This is the guaranteed tax base proposed in the bill prepared by the Joint Subcommittee on Education. This is in addition to current level foundation and permissive funding. The guaranteed taxable value is the projected state taxable value divided by the projected number of ANB. The subcommittee bill calls this the state average taxable value per ANB. The guaranteed budget level is 150 percent of the maximum general fund without a vote. This option would cost \$41.56 million in fiscal 1984 and \$44.45 million in fiscal 1985 over the LFA current level.

Option b:

Guaranteed Taxable Value/ANB	<u>1984</u>	<u>1985</u>
Secondary	\$47,380	\$51,630
Elementary	20,650	21,940
Statutory Schedule Increase	0.0%	0.0%
Guaranteed Budget Level	150 percent of the maximum general fund without a vote	

This is the same as option (a) except the guaranteed tax base is allowed in lieu of the increase in Foundation and Permissive rather than in addition to it. The cost of this option is less than option (a) as the current level foundation increases of 6.5 and 7.0 percent are not granted. This option would add \$22.55 million in 1984 and \$3.89 million in 1985 to current level general fund appropriations.

Option c:

Guaranteed Taxable VALUE/ANB	<u>1984</u>	<u>1985</u>
Secondary	\$34,500	\$37,700
Elementary	13,400	14,200
Statutory Schedule Increase	6.5%	7.0%
Guaranteed Budget Level	150 percent of the maximum general fund without a vote	

This option provides a guaranteed taxable value per ANB of the projected taxable value per ANB of the median student; i.e., half the students live in districts with higher taxable value per ANB and half live in districts with lower taxable value per ANB. This taxable value is considerably lower than the value in statewide average value used in option (a). Like option (a), the guaranteed tax base is granted in addition to 6.5 and 7.0 percent foundation program increases. This option would add \$17.3 million in fiscal 1984 and \$18.3 million in fiscal 1985 to current level general fund appropriations.

Table 8 compares the three options.

Table 8
Comparison of Guaranteed Tax Base Options

	<u>Option a.</u>	<u>Option b.</u>	<u>Option c.</u>
Biennium Addition to LFA Current Level General Fund	\$86,010,000	\$26,440,000	\$35,600,000
Foundation & Permissive Increase			
1984	6.5%	0.0%	6.5%
1985	7.0	0	7.0
Percent of Districts Aided			
Elementary	42%	42%	25%
Secondary	53%	53%	32%
Percent of State Total ¹ ANB in Aided Districts			
Elementary	70%	70%	49%
Secondary	82%	82%	50%

¹ Figures include only guaranteed tax base and Foundation-Permissive aid. In options (a) and (c), the 6.5 and 7.0 percent schedule increases would provide assistance to all districts in the state.

A special problem relating to implementation of the guaranteed tax base program is the difficulty in estimating the general fund cost. This arises because, while the guaranteed budget level may be 150 percent of the statutory maximum general fund without a vote, the district may adopt a budget less than the maximum guaranteed. To the extent the district adopts a budget less than the maximum guaranteed budget, the state will share in the savings and the total cost to the state will be less than calculated in this report.

TRANSPORTATION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	0.00	\$11,658,794	\$11,658,794
LFA Current Level	<u>0.00</u>	<u>11,578,000</u>	<u>11,578,000</u>
Executive Over (Under) LFA	0.00	\$ 80,794	\$ 80,794
	====	=====	=====

The executive increases the base rate for bus transportation more rapidly than current level while lowering the variable rate. The comparison is illustrated in Table 1.

Table 1
Executive - LFA Current Level Comparison of
Transportation Rates

	<u>Base Rate</u> <u>Per Bus Mile</u>	<u>Variable Rate</u> <u>Per Seat over 50</u>
Fiscal 1982	60¢	2.5¢
Fiscal 1983	65	2.5
Fiscal 1984		
Executive	72	2.0
Current Level	70	2.5
Fiscal 1984		
Executive	80	2.0
Current Level	75	2.5

TRANSPORTATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	0.00	0.00	0.00	0.00	0.00
<u>Fund Source</u>					
General Fund Approp.	\$4,882,631	\$5,019,250	\$5,623,000	\$5,955,000	16.9

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Load Requirement	\$ (480,000)	\$ -0-	\$ (510,000)	\$ -0-
2. Schedule Readjustment	\$1,330,000	\$ -0-	\$1,370,000	\$ -0-

The state reimburses public school districts for a portion of the cost of home-to-school transportation of children living more than three miles from school. The state reimbursement is equal to one-third of the costs generated by statutory schedules which designate reimbursement rate for school buses and individual's transportation.

The current level school transportation figures are based upon increasing reimbursement rates per mile from 65 cents plus 2.5 cents per seat in rated capacity over 50 to 70 cents plus 2.5 cents in fiscal 1984, then to 75 cents, plus 2.5 cents in fiscal 1985. These increases are based on the inflationary adjustment given to all state agencies.

Issue 1: Load Requirement

Prior to fiscal 1980 there was a statutory load requirement that school buses must meet in order to receive full reimbursement.

The 1979 Legislature removed the load requirement for public school buses. That requirement stated a bus must have at least three-fourths of its seating capacity occupied by eligible students to receive full state and county reimbursement. The seating capacity used to calculate reimbursement' was reduced proportionately as eligible ridership fell below three-fourths. Since removal of the load requirement, districts have been fully

reimbursed for buses regardless of the number of eligible riders. This has been a primary contributor to the need for supplemental appropriations in the 1981 and 1983 legislatures.

The load requirement estimated above is based upon two-thirds of the rated capacity being occupied by eligible riders. Institution of the load requirement would require statutory changes. We estimate the savings resulting from this load requirement would be \$480,000 in fiscal 1984 and \$510,000 in fiscal 1985.

Issue 2: Schedule Readjustment

The statutory reimbursement schedules have not increased as fast as transportation costs in previous years. This has resulted in a continually larger portion of transportation costs being borne by the district. The statutes provide that the state will reimburse one-third of the cost of transportation generated under the statutory schedules. However, because the schedules have not kept pace with actual cost the state is paying approximately one-fourth of all expenses of providing home-to-school transportation of eligible students. The Office of Public Instruction estimates reimbursement schedules will have to be revised to 99 cents per mile plus two cents per mile for each seat in capacity over 45 in fiscal 1984 and \$1.05 plus two cents in fiscal 1985 to reach the full one-third of reimbursable expenses. This increase would add \$1,330,000 in fiscal 1984 and \$1,370,000 in fiscal 1985 to the general fund cost of Public School Transportation.

PUBLIC SCHOOLS
Adult Basic Education

ADULT BASIC EDUCATION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	0.00	\$290,083	\$290,093
LFA Current Level	<u>0.00</u>	<u>290,090</u>	<u>290,090</u>
Executive Over (Under) LFA	0.00	\$ 3	\$ 3
	====	=====	=====

There is very little difference between executive and current level recommendations.

ADULT BASIC EDUCATION

<u>Fund Source</u>	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
General Fund Approp.	\$118,420	\$132,851	\$140,820	\$149,270	15.4
Total Funds	\$118,420 =====	\$132,851 =====	\$140,820 =====	\$149,270 =====	15.4 =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Replace Federal Funds				
Option a.	\$609,720	\$ -0-	\$850,730	\$ -0-
Option b.	35,193	-0-	35,193	-0-

Adult Basic Education is funded by federal adult education and CETA funds, a permissive levy on public school or community college districts of up to one mill and state general fund appropriated by the legislature. The current level figures contain six percent annual increases to recognize increased costs of providing the current program.

Issue 1: Replace Federal ABE Funds

The Superintendent of Public Instruction has requested that the state funding level for Adult Basic Education be increased to \$750,000 in fiscal 1984 and \$1,000,000 in fiscal 1985. He maintains this is to replace \$264,000 of federal adult basic education funds and \$500,000 in federal CETA funds.

Federal Adult Basic Education funds were reduced in fiscal 1983 as illustrated in Table 1. This reduction impacts local program by \$35,193, the changing in local program funds from \$323,387 in fiscal 1982 to \$288,194 in fiscal 1983.

Table 1
State and Federal Adult Basic Education Funds

<u>Fiscal Year</u>	<u>Appropriation General Fund</u>	<u>Administration</u>	<u>Teacher Training and Demonstrations</u>	<u>Local Programs</u>
1980	\$106,000	\$50,000	\$41,488	\$323,387
1981	112,000	50,000	41,488	323,387
1982	121,881	50,000	41,488	323,387
1983	132,851	50,000	37,577	288,194

The most recent information received from the federal government indicates no further reductions for fiscal 1984. The funds used by the state in fiscal 1984 are appropriated by the Congress for fiscal 1983.

Federal CETA funds are used to provide Adult Basic Education to qualifying individuals. In fiscal 1981 and 1982, CETA funds of \$328,300 and \$349,000, respectively, were spent on Adult Basic Education. As of this writing we could not determine the amount of funding that would be available for fiscal 1984 or fiscal 1985. However, since CETA funds are provided for specific individuals who were usually paid to attend, any reduction in CETA may reduce enrollments as well.

All or part of the permissive one mill adult education levy is used in approximately 15 percent of the state's districts. In districts that do use the levy, most apply less than the full one mill. Therefore, it appears there is local funding capacity available that could offset all or a part of any federal reduction.

OPTIONS

Option a: The Superintendent of Public Instruction has requested \$1,750,000 total in general fund support for Adult Basic Education in the 1985 biennium. This level of funding would replace all current federal funding if it were eliminated. This would add to current level general fund \$609,720 and \$850,730 in fiscal 1984 and 1985, respectively.

Option b: The legislature could replace the actual reduction in federal ABE funding which occurred in fiscal 1983. This would cost an additional \$35,193 per year.

Option c: The current level state funding could be continued. This would leave any decision about replacing federal reductions to the local communities who could address any reduction through program cutbacks or increased use of the permissive one mill levy.

SECONDARY VOCATIONAL EDUCATION

SECONDARY VOCATIONAL EDUCATION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	0.0	\$1,500,000	\$1,500,000
LFA Current Level	<u>0.0</u>	<u>1,500,000</u>	<u>1,500,000</u>
Executive Over (Under) LFA	0.0	\$ -0-	\$ -0-
	<u>===</u>	<u>=====</u>	<u>=====</u>

Both the LFA current level analysis and the executive recommendation continue the funding for Secondary Vocational Education at the appropriation level of the 1983 biennium.

The LFA analysis also presents the agency's request for additional funding to the legislature for its consideration.

SECONDARY VOCATIONAL EDUCATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	0.00	0.00	0.00	0.00	0.0
<u>Fund Source</u>					
General Fund Approp.	<u>\$762,924</u>	<u>\$737,076</u>	<u>\$750,000</u>	<u>\$750,000</u>	<u>0.0</u>
Total Funds	<u>\$762,924</u> =====	<u>\$737,076</u> =====	<u>\$750,000</u> =====	<u>\$750,000</u> =====	<u>0.0</u> ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding Increase	\$750,000	\$ -0-	\$750,000	\$ -0-

Secondary Vocational Education Programs are funded by local school districts using Public School Foundation Program funds and direct aid from state general fund appropriations. For the past two bienniums the legislature has appropriated \$1.5 million of state general fund to the Office of Public Instruction for direct aid to Secondary Vocational Education Programs. The purpose of these funds is to supplement the school foundation funds, not to replace them.

Current Level Adjustments

Funds for Secondary Vocational Education Programs are maintained at the same level provided in the 1981 and 1983 bienniums. Consistent with the prior appropriations, the \$1.5 million is an appropriation for the biennium.

Issue 1: Funding Increase

The Office of Public Instruction has requested the general fund support of Secondary Vocational Education be increased to \$3 million for the 1985 biennium. The justification cited for the requested additional state general fund support was to maintain the relationship between state

general fund direct aid and local support as it existed in fiscal 1980. In fiscal 1980 direct aid accounted for 8 percent of total expenditure on Secondary Vocational Education.

House Bill 537 from the 46th Legislature neither states nor implies the appropriation was meant to form a continuing relationship between direct aid and total expenditures. Maintenance of a relationship between the state general fund direct aid and total local expenditures could create a need to increase state general fund direct aid with every increase to the School Foundation Program as foundation program funds are considered local support.

OPTIONS

Option a: Approve the increase in funding. This would cost the general fund an additional \$1.5 million in the 1985 biennium. It would provide local school districts additional financial aid for Secondary Vocational Education Programs.

Option b: Do not approve the increase in funding. This would require the school districts to fund Secondary Vocational Programs to the extent funding is available from the School Foundation Program and the \$1.5 million current level appropriation.

TRAFFIC AND SAFETY EDUCATION

Section 20-7-504, MCA, provides for a Traffic Education account that collects a portion of revenue from highway fines and bond forfeitures related to traffic fines. The revenues collected in this account are distributed annually to school districts conducting approved traffic education courses. The Office of Public Instruction distributes this revenue and is allowed to deduct a portion for state administration expenses. For the 1983 biennium, approximately \$1,822,000 was available for distribution to the school districts. In the 1985 biennium, approximately \$1,850,000 will be available for distribution.

The executive budget and the current level analysis both estimate revenue from this account will exceed \$1,000,000 per year. However, the current level estimate deducts \$90,000 per year for state administration.

PUBLIC SCHOOLS
School Lunch Program

SCHOOL LUNCH PROGRAM

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	0.00	\$2,283,753	\$2,283,753
LFA Current Level	<u>0.00</u>	<u>1,319,574</u>	<u>1,319,574</u>
Executive Over (Under) LFA	0.00	\$ 964,179	\$ 964,179
	====	=====	=====

The LFA current level provides the required matching funds for the federal student lunch funds consistent with past practices. The executive recommends additional funds for food purchases by the Office of Public Instruction.

SCHOOL LUNCH PROGRAM

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	0.00	0.00	0.00	0.00	0.0
<u>Fund Source</u>					
General Fund Approp.	<u>\$730,223</u>	<u>\$807,449</u>	<u>\$659,787</u>	<u>\$659,787</u>	<u>(14.2)</u>
Total Funds	<u>\$730,223</u> =====	<u>\$807,449</u> =====	<u>\$659,787</u> =====	<u>\$659,787</u> =====	<u>(14.2)</u> =====

The School Lunch Programs are funded from federal cash and commodity assistance, charges to participants, school district funds, and state general fund appropriations. The state appropriates a required match to federal cash assistance. In previous years, the state matched federal cash assistance approximately 27 percent. In fiscal 1982, through Public Law 97-35, the matching requirement was replaced with a requirement that states must pay a fixed amount based upon fiscal 1981 federal payments to public schools and the state's per capita income relative to that of all states. This reduced level is reflected above.

In fiscal 1982, the agency spent appropriated funds in excess of the matching requirement. If the agency only spends required matching funds in fiscal 1983, a general fund reversion of approximately \$150,000 should revert.

PUBLIC SCHOOLS
Gifted & Talented

GIFTED AND TALENTED

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	0.00	\$200,000	\$200,000
LFA Current Level	<u>0.00</u>	<u>200,000</u>	<u>200,000</u>
Executive Over (Under) LFA	0.00	\$ -0-	\$ -0-
	<u>====</u>	<u>=====</u>	<u>=====</u>

The executive and the current level continue this new program at the appropriated level of the current biennium.

GIFTED AND TALENTED

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	0.00	0.00	0.00	0.00	0.00
<u>Fund Source</u>					
General Fund Approp.	<u>\$34,819</u>	<u>\$165,181</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>0.0</u>
Total Funds	<u>\$34,819</u> =====	<u>\$165,181</u> =====	<u>\$100,000</u> =====	<u>\$100,000</u> =====	<u>0.0</u> ===

This program was authorized by HB 568 of the 1981 legislative session. That act appropriated \$200,000 for this biennium to be used for grants to programs for gifted and talented children in school districts. The funds are distributed on the basis of OPI approval of projects submitted by public schools. The school district must match these funds on a dollar-for-dollar basis.

In fiscal 1982 only \$34,819 of the \$200,000 biennial appropriation was used. However, as the program is quite new, the current level continues the \$200,000 biennial appropriation.

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	2.00	\$ -0-	\$190,452
LFA Current Level	<u>2.00</u>	<u>-0-</u>	<u>183,744</u>
Executive Over (Under) LFA	0.00 =====	\$ -0- =====	\$ 6,708 =====

The executive budget provides inflationary increases for this agency while current level analysis anticipates decline in federal funds.

MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	2.00	2.00	2.00	2.00	0.0
<u>Fund Source</u>					
Other Funds Approp.	\$92,578	\$94,000	\$90,970	\$92,774	(1.5)
Total Funds	\$92,578 =====	\$94,000 =====	\$90,970 =====	\$92,774 =====	(1.5) =====
<u>Expenditures by Object</u>					
Personal Services	\$50,448	\$51,998	\$54,155	\$54,099	5.6
Operating Expenses	38,422	40,552	36,815	38,675	(4.4)
Equipment	3,708	1,450	-0-	-0-	(100.0)
Total Operating Costs	\$92,578 =====	\$94,000 =====	\$90,970 =====	\$92,774 =====	(1.5) =====

Montana is required by federal public law 94-482 to have a state advisory council for vocational education in order to receive federal vocational education funds. Montana agreed to the terms and conditions of the federal Vocational Education Act in Section 20-7-321, MCA. The purpose of the council is to function in an advisory capacity, to monitor program evaluation progress and processes, and to provide technical assistance to local advisory councils and recipients of federal vocational education aid.

This agency is completely supported by federal funds. Public law 94-482 establishes a minimum funding level of \$75,000 each year. This law is due for reauthorization in federal fiscal 1983. As of September 1982, the expected federal funding level for fiscal 1984 and fiscal 1985 was uncertain. Table 1 shows the current minimum funding level and the anticipated fund balance which can be used for the 1985 biennium.

Table 1
Funding Analysis for Vo-Ed Advisory Council
Fiscal 1982 to Fiscal 1985

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Beginning Fund Balance	\$ 32,319	\$ 33,744	\$ 33,744	\$ 17,774
Estimated Receipts	<u>94,000</u>	<u>94,000</u>	<u>75,000</u>	<u>75,000</u>
Total Available Funds	\$126,319	\$127,744	\$108,744	\$ 92,774
Disbursements	<u>(92,575)</u>	<u>(94,000)</u>	<u>(90,970)</u>	<u>(92,774)</u>
Ending Fund Balance	\$ 33,744 =====	\$ 33,744 =====	\$ 17,774 =====	\$ -0- =====

The agency did not request general fund replacement of federal funds for the 1985 biennium; therefore, in order to meet the reduced funding level in fiscal 1984 and fiscal 1985, expenditures will have to be reduced. The executive director of the council indicated expenditure reductions would likely occur in the out-of-state and in-state travel operating expense categories. Out-of-state travel was reduced in fiscal 1984 to allow two out-of-state trips for the executive director and a council member rather than three out-of-state trips.

MONTANA ARTS COUNCIL

MONTANA ARTS COUNCIL

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	4.00	\$276,067	\$ 839,011
LFA Current Level	<u>4.00</u>	<u>236,208</u>	<u>1,018,445</u>
Executive Over (Under) LFA	0.0	\$ 39,859	\$ (179,434)
	====	=====	=====

The LFA current level does not include the Montana Folklife Project. Current level includes more federal funds than the executive because revenue estimates in late fall showed federal funding for grants and operations would continue at the 1982 level, approximately \$345,000. This assumption is not reflected in the executive budget.

General funds to move the council to Helena are included in the executive budget, but not in current level.

MONTANA ARTS COUNCIL

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	4.00	4.00	4.00	4.00	(0.0)
<u>Fund Source</u>					
General Fund Approp.	\$104,793	\$112,119	\$118,546	\$117,662	8.8
Other Funds Approp.	252,565	240,752	236,009	236,938	(4.1)
Funds Non-Approp.	<u>159,632</u>	<u>177,666</u>	<u>154,645</u>	<u>154,645</u>	<u>(8.3)</u>
Total Funds	<u>\$516,990</u>	<u>\$530,537</u>	<u>\$509,200</u>	<u>\$509,245</u>	<u>(2.7)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 91,789	\$103,852	\$102,710	\$102,568	4.9
Operating Expenses	244,252	227,354	229,777	228,640	(2.7)
Equipment	<u>1,042</u>	<u>1,390</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$337,083	\$332,596	\$332,487	\$331,208	(0.8)
Non-Operating Expend.	<u>179,907</u>	<u>197,941</u>	<u>176,713</u>	<u>178,037</u>	<u>(6.1)</u>
Total Expenditures	<u>\$516,990</u>	<u>\$530,537</u>	<u>\$509,200</u>	<u>\$509,245</u>	<u>(2.7)</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Moving Cost				
Option a.	\$41,376	\$(1,000)	\$(1,000)	\$(1,000)
Option b.	31,376	(1,000)	(1,000)	(1,000)

The Montana Arts Council was established as a state agency in 1967 in response to the recognition of the increasing importance of the arts in the lives of Montanans and to provide an opportunity to young Montanans to participate in and contribute to the cultural heritage of Montana. The responsibilities of the council are to encourage the study and presentation of the arts, to foster public interest in our cultural heritage and resources, and to encourage and assist in freedom of artistic expression. In order to meet these responsibilities, the council has sponsored several projects, including: Artists in the Schools (AIS), Montana Folklife, Community Arts Project, and regrants to individuals or nonprofit organizations.

The Arts Council is funded by general fund, earmarked revenue, federal funds, and community match funds. The source of the federal funds is grants from the National Endowment for the Arts (NEA). The grants are of two types. First, the basic state operating grant is used for agency operation and regranteeing purposes. The second NEA grant is a grant for the Artists in the Schools (AIS) project. While funds from the basic state operating grant can be used for the AIS project, the funds from the federal AIS grant cannot be used for any purpose other than AIS. The community match funds and a portion of the general fund appropriation also fund the AIS project. All federal funds must be matched on at least a dollar-for-dollar basis by state or local contributions.

The earmarked revenue, used exclusively for the Montana Folklife Project, is from the Cultural and Aesthetic Project fund of the coal tax park acquisition trust fund. Funding for this project has been approved by the legislature since fiscal 1980.

General fund supports one-half of the administrative costs and contributes towards the AIS program and local community grants. For the 1983 biennium, the general fund appropriation included \$40,550 for local community grants and \$26,100 for the Artists in the Schools Program.

Current Level Adjustments

All expenses relating to the Montana Folklife project were removed from the base year expenditures because this project is funded by the Cultural and Aesthetic Project fund. The legislature appropriates funds from this earmarked account on a biennial basis. The Arts Council must make application for these funds every regular session.

Funding from the National Endowment for the Arts is expected to remain fairly stable through the 1985 biennium at the 1982 level. No inflation increases were provided for federal funds; however, the general fund appropriation was provided inflation increases. Because administration expenses are matched on a 50-50 basis, general fund and federal funds will be used to fund cost increases in the administrative area. The result is that slightly fewer pass-through grant dollars will be available from federal funds in fiscal 1984 and fiscal 1985 compared to what was expended in fiscal 1982.

For the 1985 biennium, the general fund appropriation includes \$45,460 for local community grants and \$28,935 for the Artists in the Schools project. Total funding for local grants is expected to be \$176,173 in fiscal 1984 and \$178,037 in fiscal 1985. Funding for the AIS project is estimated to be \$116,545 in fiscal 1984 and \$117,390 in 1985.

Total expenditures are anticipated to decline by 2.7 percent in the 1985 biennium with the funding described above. Vacancy savings is not recommended for the Arts Council.

Issue 1: Moving Costs

The Montana Arts Council indicates its council members feel the function of the council will be better served if the agency was located in Helena rather than Missoula. Currently, the executive director travels to Helena weekly for council business. Moving the agency would reduce travel expenses approximately \$2,000 annually. The agency is requesting a one-time appropriation of \$42,376 in fiscal 1984 for moving costs. This includes costs for termination pay for two employees who will not be able to move, moving and relocation expenses, and some minor equipment replacement. It also includes \$10,000 for contracted services for preparation of a document that details the responsibilities, procedures, and processes necessary for the positions that would become vacant. These documents would be prepared by the employees who would not be moving to Helena.

The agency has been located in Missoula since its inception in 1967.

OPTIONS

Option a: Approve the move. This would cost state general fund \$41,376, net of annual savings in fiscal 1984. It would save the general fund \$1,000 in fiscal 1985. This option would provide for the physical move and the requested contracted services for historical and procedural documentation.

Option b: Approve the move, but provide only \$31,376. This would provide for the physical process of the move, but would not provide for the contracted services requested.

Option c: Do not approve the move to Helena.

MONTANA HISTORICAL SOCIETY

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	44.00	\$2,170,005	\$3,711,696
LFA Current Level	<u>35.50</u>	<u>1,702,768</u>	<u>3,359,360</u>
Executive Over (Under) LFA	8.50	\$ 467,237	\$ 352,336
	<u>====</u>	<u>=====</u>	<u>=====</u>

The executive budget includes several new services not included in current level. Security guards (4.5 FTE) are included in the executive budget. This service is currently being provided by the Department of Administration. The executive budget also transfers the capitol tour service and 1.5 FTE tour guides from the Department of Administration. The agency performed this service under contract with the Department of Administration in fiscal 1982.

The executive budget also includes services approved by budget amendment in the 1983 biennium that are not incorporated in current level. These include 1.0 FTE for use in the agency's private fund raising program, continuation of the library program's photocopy service, use of donated funds to expand the library collection, and use of revolving fund authority to maintain a book publishing effort formerly initiated by budget amendment.

The executive budget includes 1.5 FTE, an historian and administrative assistant, that were part of the agency's oral history project. This project was funded by the cultural and aesthetic project fund and is not part of the current level base. These funds must be reapplied for and approved by the legislature every regular session. They are not an ongoing revenue source for this project.

General fund in the executive budget exceeds the current level, because the executive budget acknowledges the agency's request to support 1.1 FTE with general fund that were previously supported by a revolving account.

The cultural and aesthetic project fund estimate is higher in the current level. LFA estimates the cultural and aesthetic project grants will total \$895,500 in the 1985 biennium. The executive estimates \$471,600.

MONTANA HISTORICAL SOCIETY

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	46.14	41.75	35.50	35.50	(19.22)
<u>Fund Source</u>					
General Fund Approp.	\$ 753,516	\$ 831,266	\$ 852,034	\$ 850,734	7.4
Other Funds Approp.	829,803	839,502	779,302	877,290	(0.7)
Funds Budget Amended	150,782	-0-	-0-	-0-	(100.0)
Other Funds Non-Appr.	<u>236,909</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$1,971,010 =====	\$1,670,768 =====	\$1,631,336 =====	\$1,728,024 =====	(7.7) =====

Expenditures by Object

Personal Services	\$ 849,284	\$ 865,186	\$ 814,882	\$ 813,651	(5.0)
Operating Expenses	602,220	564,673	404,277	403,428	(30.7)
Equipment	<u>31,707</u>	<u>13,526</u>	<u>13,991</u>	<u>13,630</u>	<u>(38.9)</u>
Total Operating Costs	\$1,483,211	\$1,443,385	\$1,233,150	\$1,230,709	(15.8)
Non-Operating Exp.	<u>487,799</u>	<u>227,383</u>	<u>398,186</u>	<u>497,315</u>	<u>25.2</u>
Total Expenditures	\$1,971,010 =====	\$1,670,768 =====	\$1,631,336 =====	\$1,728,024 =====	(7.7) =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Development Program	\$ -0-	\$55,184	\$ -0-	\$57,551
2. Teakle Trust Funds	\$ -0-	\$ 5,000	\$ -0-	\$ 5,000
3. Montana History Conference	\$ -0-	\$14,780	\$ -0-	\$15,555
4. Photocopy Revolving Funds	\$ -0-	\$ 9,058	\$ -0-	\$ 9,601
5. Montana Historical Society Press Revolving Account	\$ -0-	\$41,033	\$ -0-	\$43,526

The Montana Historical Society was established in 1865. The purpose of the Society is to acquire, preserve, and protect historical records, art, archival and museum objects, historical places, sites, and monuments for the use and enjoyment of the citizens of Montana. Governance and administrative authority is vested in a board of trustees. In order to achieve its goals, the Historical Society maintains a library, archives, a museum, an art gallery, publishes a magazine entitled Montana: The Magazine of Western History, provides traveling educational and historical exhibits, and coordinates implementation of the National Historic Preservation Act and the State Antiquities Act.

The Historical Society administers grants for cultural or aesthetic projects from the income of the coal tax park acquisition trust fund established in Section 15-35-108, MCA. The legislature approves the projects and must appropriate the funds before the grants are awarded.

Current Level Adjustments

Total expenditures are shown to decrease 7.7 percent in the 1985 biennium. This is primarily attributable to the agency merging its merchandising program with its magazine program. The agency indicated a reduction of 4.75 FTE associated with this merger. The base expenditure reduction was approximately \$160,000, which reflects reductions in personal services and operating expenses. The remaining merchandising function and the support personnel will continue to be supported by revolving funds.

The 47th legislature approved a cultural and aesthetic project proposal by the Historical Society for an oral history project and a capitol conservation project. Because these projects must receive approval every biennium, the 1.5 FTE and all expenditures associated with these projects, approximately \$90,000, were removed from the fiscal 1982 base expenditures.

Expenditures for utilities and janitorial services incurred at the original Governor's mansion were removed from the fiscal 1982 base expenditures because the Department of Administration, General Services Division will assume this responsibility in fiscal 1984. Funds for this purpose are included in the Department of Administration's current level budget.

All issues that follow are agency modified requests that address services that have been initiated by budget amendment either during or prior to the 1983 biennium.

Issues 1, 2, and 3 relate to the use of donated funds. At the present time, donated funds are not used to fund any current level services. At fiscal year-end 1982, there was a donated fund balance of \$126,861. The agency is anticipating donated fund revenues to be \$134,048 in fiscal 1984 and \$136,000 in fiscal 1985.

Issue 1: Development Program

The function of this program is to enhance the private donation revenue of the society by attempting to match donors with projects, and to coordinate fund raising efforts. This program, started by budget amendment in fiscal 1982, is funded by donated funds. It supported a .50 FTE in fiscal 1982; the request is for a 1.0 FTE for the 1985 biennium. The society is requesting authority to spend \$55,184 in fiscal 1984 and \$57,551 in fiscal 1985 for this program.

Issue 2: Teakle Trust Funds

The Thomas Teakle Endowment Fund is a donation to the society from the will of Thomas Teakle. The funds are specified to be used for adding to the society's library collection of range management and cattle industry materials. The Teakle funds have been available for consideration by the legislature since at least fiscal 1980. The agency is requesting authority to spend \$5,000 each year of the 1985 biennium from the income of the Teakle trust fund to purchase books and periodicals appropriate to the collection.

Issue 3: Montana History Conference

The society sponsors an annual history conference for the purpose of exposing Montana history to professional and amateur historians and all interested persons in Montana. The annual conference has been funded primarily by a grant from the Montana Committee for the Humanities and, secondarily, by registration fees. The conference has been an annual event since 1975.

The agency is requesting appropriation authority of \$14,780 in fiscal 1984 and \$15,555 in fiscal 1985 for the purpose of continuing the history conference. The funding is anticipated by the agency to come from registration fees.

Issue 4: Photocopy Revolving Funds

The photocopy service in the library program has been operated by a revolving fund since fiscal 1981. The purpose of the service is to provide photocopies and microform copies of library materials to patrons as library materials cannot be removed from the premises. The revenue earned is used to purchase supplies and materials and lease equipment necessary to provide the service. The agency is requesting revolving fund authority of \$9,058 in fiscal 1984 and \$9,601 in fiscal 1985 for this service.

Issue 5: Montana Historical Society Press Revolving Account

The Montana Historical Society occasionally publishes books relating to Montana's or the region's history. These previous publishing efforts have been funded by private grants. The agency established a revolving account for this activity at the beginning of fiscal 1983 and is requesting revolving fund authority of \$41,033 in fiscal 1984 and \$43,526 in fiscal 1985 to continue this publishing activity.

MONTANA STATE LIBRARY COMMISSION

	-----1985 Biennium-----		
	<u>FTE</u>	<u>General Fund</u>	<u>Total Funds</u>
	<u>FY '85</u>		
Executive Budget	27.50	\$1,280,961	\$2,787,937
LFA Current Level	<u>25.50</u>	<u>868,325</u>	<u>2,811,830</u>
Executive Over (Under) LFA	2.00	\$ 412,636	\$ (23,893)
	====	=====	=====

The executive budget includes 2.0 FTE, a librarian and clerk, not included in current level. These services are proposed to be paid from general fund.

The executive budget estimates federal funds supporting the operation of the library will be \$342,560 each year of the biennium. Current level estimates the funds will increase 6 percent each year of the biennium from the fiscal year 1982 level.

Current level is higher than the executive in total funds because the current level estimate for the coal tax grants is higher than the executive. The executive maintained the fiscal 1982 grant level while current level considered coal tax revenues estimates.

MONTANA STATE LIBRARY COMMISSION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	25.50	25.50	25.50	25.50	(0.0)
<u>Fund Source</u>					
General Fund Approp.	\$ 346,033	\$ 470,308	\$ 445,953	\$ 422,372	6.3
Other Funds Approp.	809,523	926,445	901,033	1,042,472	11.9
Other Funds Non-App.	<u>103,870</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$1,259,426 =====	\$1,396,753 =====	\$1,346,986 =====	\$1,464,844 =====	5.8 ===
<u>Expenditures by Object</u>					
Personal Services	\$ 451,420	\$ 526,233	\$ 533,613	\$ 532,834	9.0
Operating Expenses	272,866	305,979	290,198	299,498	1.8
Equipment	<u>77,636</u>	<u>88,000</u>	<u>90,060</u>	<u>86,030</u>	<u>6.3</u>
Total Operating Costs	\$ 801,922	\$ 920,212	\$ 913,871	\$ 918,362	6.3
Non-Operating Expend.	<u>457,504</u>	<u>476,541</u>	<u>433,115</u>	<u>546,482</u>	<u>4.8</u>
Total Expenditures	\$1,259,426 =====	\$1,396,753 =====	\$1,346,986 =====	\$1,464,844 =====	5.8 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Federal Funds	\$20,448	\$(20,448)	\$44,387	\$(44,387)

The Montana State Library Commission is the administrative body responsible for the operation of the state library. The state library provides direct library services to state government agencies, to persons residing in the state institutions, and to the blind or physically handicapped public of Montana. Indirect services are provided to all public libraries by providing financial support to six regional library federations. The state library serves as a partial federal depository and also collects state government publications.

Funding for the state library comes from the state general fund and federal funds authorized by the Library Services and Construction Act, (LSCA) Titles I and III. In addition, Section 15-35-108, MCA, authorizes .5 percent of the coal severance tax revenues to the state library for grants to the library federations and for payment of costs for participating in regional and national networking.

Current Level Adjustments

In November 1982, the state library moved into new facilities in the Capitol Complex. Expenditures for telephone, rent, and utilities were adjusted to reflect this change. The net adjustment to operational expenses attributable to the move was an increase of \$32,500.

The Pacific Northwest Bibliographic Center (PNBC) is no longer in existence. The University of Washington's Resource Sharing Program replaces PNBC. The net adjustment to contracted services in the base year is a decrease of \$44,000.

Funds are provided to upgrade the microcomputer system used in the general library services and networking programs and for minor office equipment. In addition, \$165,700 is provided in the 1985 biennium for library books.

Expenditures are estimated to increase 8.5 percent before pay increases in the 1985 biennium. This is primarily caused by the increasing level of library federation grants funded by coal tax revenue. (See Table 1 in next section.)

Actual vacancy savings was 5.4 percent for the agency; however, this was caused by the retirement of the former state librarian in April 1982. A vacancy savings rate of 3 percent is recommended for the 1985 biennium.

Library Federation Grants

The Montana State Library Commission distributes grants to six library federations in Montana. In the past, these grants were funded by the federal Library Services and Construction Act funds not necessary for the operation of the Montana State Library. As operational costs increased, there were fewer LSCA funds available for distribution to the federations. The 46th Legislature authorized .5 percent of coal tax revenues to be

earmarked for use by the state library for grants to library federations and for payment of costs for participating in regional and national networking.

Since fiscal 1980, the majority of the library federation grant funds have come from the coal severance tax revenue earmarked for the state library. Table 1 shows the library federation grants by funding source for fiscal 1980 through 1985.

Table 1
Library Federation Grants by Funding Source
Fiscal 1980 through 1985

<u>Year</u>	<u>--Funding Source--</u>		<u>Total</u>
	<u>LSCA</u>	<u>Coal Tax</u>	
-----Actual-----			
Fiscal 1980	\$136,996	\$383,568	\$520,564
Fiscal 1981	103,000	352,033	455,033
Fiscal 1982	103,870	353,634	457,504
-----Estimated-----			
Fiscal 1983	\$ 3,592	\$347,014	\$350,606
Fiscal 1984	-0-	433,115	433,115
Fiscal 1985	-0-	546,482	546,482

All library federation grants are expected to be funded by coal severance tax revenue effective fiscal 1984. Federal funds used for grants in fiscal 1982 and 1983 are a carryover of fiscal 1981 federal appropriations.

Issue 1: Federal Funds

The Montana State Library maintains federal LSCA funding will be available through the 1985 biennium at the fiscal 1982 level which was \$380,981. The current level analysis provides inflation increases for federal funds. The agency requests replacement of federal funds with general fund. To replace federal funds with general fund and maintain current level services would cost the general fund \$29,448 in fiscal 1984 and \$44,387 in fiscal 1985.

OPTIONS

Option a: Authorize general fund replacement of federal funds. This option could increase the state's maintenance of effort requirements mandated by the LSCA in the 1987 biennium. For the 1985 biennium, this option would cost the general fund \$20,448 in fiscal 1984 and \$44,387 in fiscal 1985.

Option b: Provide no general fund replacement of LSCA funds. This option would sustain services at the level provided by available federal funding.

BOARD OF REGENTS

BOARD OF REGENTS

		-----1985 Biennium-----	
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	N/A	\$51,084	\$51,084
LFA Current Level	<u>N/A</u>	<u>51,040</u>	<u>51,040</u>
Executive Over (Under) LFA	N/A	\$ 44	\$ 44
	=====	=====	=====

The executive budget was higher than LFA Current Level in operations by \$18 in fiscal 1984 and \$26 in fiscal 1985.

BOARD OF REGENTS

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	0.00	0.00	0.00	0.00	0.0
<u>Fund Source</u>					
General Fund, Approp.	<u>\$23,031</u>	<u>\$25,104</u>	<u>\$24,976</u>	<u>\$26,064</u>	<u>6.0</u>
Total Funds	<u>\$23,031</u> =====	<u>\$25,104</u> =====	<u>\$24,976</u> =====	<u>\$26,064</u> =====	<u>6.0</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$ 4,350	\$ 3,400	\$ 4,350	\$ 4,350	12.3
Operating Expenses	<u>18,681</u>	<u>21,704</u>	<u>20,626</u>	<u>21,714</u>	<u>4.8</u>
Total Operating Costs	<u>\$23,031</u> =====	<u>\$25,104</u> =====	<u>\$24,976</u> =====	<u>\$26,064</u> =====	<u>6.0</u> ===

The Board of Regents is continued at current level. Per diem is recommended for 20 meeting days per year.

COMMISSIONER OF HIGHER EDUCATION

COMMISSIONER OF HIGHER EDUCATION

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	16.60	\$8,688,095	\$12,097,864
LFA Current Level	<u>15.60</u>	<u>6,011,560</u>	<u>9,813,560</u>
Executive Over (Under) LFA	1.00 ====	\$2,676,535 =====	\$2,284,304 =====

The one FTE difference in budgets is due to the executive funding the bargaining agent position authorized by the 1981 Legislature. The LFA current level did not fund this position as it was unused in fiscal 1982. As a result, the LFA current level was lower than the executive budget in personal services by \$79,216 in the 1985 biennium. Part of the difference in personal services also results as the executive funded a higher level of salaries for professional and administrative personnel in the 1985 biennium.

The difference in total funds results from the executive budget containing \$2,000,000 in general fund to be used in mitigating financial problems caused by fluctuations in system-wide university enrollment, and from the potential decrease in federal work-study funds. Part of the difference in total funds also results from: (1) the executive estimated lower coal tax revenues, which has caused their general fund estimate to be higher by \$392,231 in the 1985 biennium; and (2) the executive budget was higher in general fund support of WICHE by \$147,467 in the 1985 biennium.

COMMISSIONER OF HIGHER EDUCATION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	16.60	16.60	15.60	15.60	(6.0)
<u>Fund Source</u>					
General Fund Approp.	\$3,155,056	\$3,345,760	\$3,049,643	\$2,961,917	(7.5)
Other Funds Approp.	1,107,788	1,354,592	1,757,000	2,045,000	54.4
Funds Budget Amended	502,116	-0-	-0-	-0-	(100.0)
Funds Non-Approp.	<u>260,691</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$5,025,651</u>	<u>\$4,700,352</u>	<u>\$4,806,643</u>	<u>\$5,006,917</u>	<u>0.9</u>
<u>Expenditures by Object</u>					
Administration	\$ 676,010	\$ 726,688	\$ 745,361	\$ 759,927	7.3
Student Assistance					
WAMI	1,439,257	1,625,272	1,636,332	1,767,423	11.1
WICHE Dues	46,300	50,000	50,000	53,000	6.9
WICHE	1,510,904	1,643,800	1,746,950	1,798,567	12.3
Rural Dentistry	144,000	168,000	168,000	168,000	7.7
Student Incentive					
Grants	381,953	386,592	385,000	385,000	.2
NDSL	64,420	100,000	75,000	75,000	(8.8)
Community Services	112,381	-0-	-0-	-0-	0.0
Montana Learning Ser.	269,936	-0-	-0-	-0-	0.0
Faculty Vitality	119,799	-0-	-0-	-0-	0.0
Guar. Student Loan	<u>260,691</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>0.0</u>
Total Operating Costs	<u>\$5,025,651</u>	<u>\$4,700,352</u>	<u>\$4,806,643</u>	<u>\$5,006,917</u>	<u>0.9</u>

The position of Commissioner of Higher Education was established by Article 10, Section 9, Subsection (2) of the 1972 Montana Constitution and by Section 2-15-1506, MCA. The Board of Regents prescribes the duties and term of office.

Some of the duties of the Commissioner's Office include: (1) academic planning and curriculum review; (2) budgetary planning and control; (3) providing legal services to campuses; (4) establishing labor negotiation policies and procedures; and (5) administering student aid programs.

OFFICE ADMINISTRATION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	16.60	16.60	15.60	15.60	(6.0)
<u>Fund Source</u>					
General Fund Approp.	\$658,979	\$726,688	\$745,361	\$759,927	8.6
Other Funds Approp.	<u>17,031</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$676,010 =====	\$726,688 =====	\$745,361 =====	\$759,927 =====	7.3 ===
<u>Expenditures by Object</u>					
Personal Services	\$432,969	\$537,367	\$553,325	\$554,549	14.2
Operating Expenses	201,011	181,195	189,987	203,891	3.0
Equipment	<u>42,030</u>	<u>8,126</u>	<u>2,049</u>	<u>1,487</u>	<u>(92.9)</u>
Total Operating Costs	\$676,010 =====	\$726,688 =====	\$745,361 =====	\$759,927 =====	7.3 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Salaries & Benefits Over Pay Plan	\$ 12,929	\$ -0-	\$ 12,958	\$ -0-
2. MONTS				
Option a.	\$ -0-	\$400,000	\$ -0-	\$500,000
Option b.	400,000	-0-	500,000	-0-
3. Faculty Development	\$100,000	\$ -0-	\$100,000	\$ -0-

Current Level Adjustments

Personal services increase by 14.2 percent from the 1983 biennium. Most of the increase is accounted for by the Commissioner's Office under-spending their fiscal 1982 personal services budget by approximately \$110,000.

Total FTE were reduced by one. This FTE represents the bargaining agent position authorized by the 1981 Legislature. The position was not

filled in fiscal 1982 though sufficient funds were available. The Commissioner's Office had vacancy savings of 15.94 percent in fiscal 1982. Vacancy savings of \$33,904 was spent on equipment and approximately \$33,000 was spent in operations in fiscal 1982. A 3.5 percent vacancy savings rate is recommended for fiscal 1984 and 1985.

The commissioner's fiscal 1983 operations plan was utilized to project operating expenses for fiscal 1984 and 1985. The fiscal 1983 operations plan presented reduced levels of operating expenditures made in response to the loss of federal funds at fiscal year-end 1982. The Commissioner's Office received federal funds for several special projects relating to long-range planning for the University System. The legislature, in the first special session, considered the anticipated reduction in federal funds and reduced federal spending authority \$2,395 in fiscal 1982 and \$27,458 in fiscal 1983. The Commissioner's Office had submitted no request for replacement of these funds.

Issue 1: Salaries and Benefits Over Pay Plan

Excluding benefits, the Commissioner's Office budgeted total salaries for professional and administrative personnel \$11,319 higher than what was authorized by the pay plan in fiscal 1983. The general fund cost of including the higher salaries with benefits is \$12,929 in fiscal 1984 and \$12,958 in fiscal 1985.

Issue 2: Montanan's On A New Track for Science (MONTs)

In fiscal 1981, Montana was the recipient of a five-year grant in the amount of \$2,335,000 from the National Science Foundation. The purpose of the grant, which terminates at fiscal year-end 1985, was to increase the ability of Montana scientists to compete successfully for federal research funds. Commensurate with this goal, the Ad Hoc Committee formed to oversee activities of MONTs had a goal of getting between 10 and 30 scientists competitive, at the national level, for research funding.

Types of activities funded in fiscal 1981 and 1982 include: (1) funding of individual research programs; (2) providing stipends to graduate research assistants; and (3) sponsoring visiting scientists from other states.

The matching requirement provided by the state for the 1983 biennium totaled \$500,000. Funding was provided from the 15 percent of indirect cost revenues which are not considered in meeting formula generated budgets for units of the university system. The matching requirement for the 1985 biennium is \$900,000.

Fiscal 1985 is the last year of the National Science Foundation Grant. The program's federal support and state matching requirement terminate at the end of the 1985 biennium.

OPTIONS

Option a: Indirect Cost Revenues

The state's share of funding for MONTs in the 1985 biennium is \$900,000. Funding for MONTs could continue to be provided by the 15 percent of the indirect cost revenues received by units of the university system.

Option b: General Fund

The Commissioner's Office requested general fund support of MONTs for fiscal 1984 and 1985. The general fund cost in fiscal 1984 is \$400,000 and \$500,000 in fiscal 1985.

Issue 3: Faculty Development

The Commissioner's Office is requesting \$200,000 in general fund for a faculty development program in the 1985 biennium. The goal of the program is to improve faculty vitality on the six campuses of the university system by funding: (1) faculty exchanges between the six campuses; (2) faculty reallocation and development; and (3) revision of existing academic programs and development of new ones. Some specific activities funded in the past include retraining and reassignment of a professor from philosophy to political science, faculty retraining for the improvement of teaching in a critical area, and training faculty to teach COBOL programming.

In the past, this program was funded by a three-year grant of \$228,000 from the Northwest Area Foundation. The grant award from the Northwest Area Foundation will terminate on June 30, 1983. The expenditures were authorized by budget amendment in fiscal 1981, 1982, and 1983. In fiscal 1981, \$53,343 of spending authority was budget amended, and

\$119,799 was budget amended in fiscal 1982. These funds were never brought before the 1981 Legislature for consideration in spite of the already awarded grant. Spending these funds by budget amendment is in violation of Section 3 of HB 500, which states:

"The approving authority may approve a budget amendment to spend funds that were not available for consideration by the legislature..." (Emphasis added.)

The cost of replacing budget amended federal funds with general fund for the faculty development program is \$100,000 in fiscal 1984 and \$100,000 in fiscal 1985.

STUDENT ASSISTANCE

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
<u>Fund Source</u>					
General Fund Approp.	\$2,496,077	\$2,619,072	\$2,304,282	\$2,201,990	(11.9)
Other Funds Approp.	<u>1,090,757</u>	<u>1,354,592</u>	<u>1,757,000</u>	<u>2,045,000</u>	<u>55.4</u>
Total Funds	<u>\$3,586,834</u>	<u>\$3,973,664</u>	<u>\$4,061,282</u>	<u>\$4,246,990</u>	<u>9.8</u>
<u>Expenditures by Object</u>					
WAMI	\$1,439,257	\$1,625,272	\$1,636,332	\$1,767,423	11.1
WICHE Dues	46,300	50,000	50,000	53,000	6.9
WICHE	1,510,904	1,643,800	1,746,950	1,798,567	12.3
Rural Dentistry	144,000	168,000	168,000	168,000	7.7
Student Incentive Grants	381,953	386,592	385,000	385,000	.2
NDSL	<u>64,420</u>	<u>100,000</u>	<u>75,000</u>	<u>75,000</u>	<u>(8.8)</u>
Total Operating Costs	<u>\$3,586,834</u>	<u>\$3,973,664</u>	<u>\$4,061,282</u>	<u>\$4,246,990</u>	<u>9.8</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. WICHE Physician Education	\$ (100,000)	\$ -0-	\$ (210,000)	\$ -0-
2. WICHE Funding Over Current Level (FY'83)	\$ 43,367	\$ -0-	\$ 104,100	\$ -0-
3. Guaranteed Student Loan	\$ -0-	\$260,961	\$ -0-	\$260,961
4. Work Study				
Option a.	\$1,500,000	\$ -0-	\$1,500,000	\$ -0-
Option b.	180,449	-0-	180,449	-0-
Option c.	-0-	-0-	-0-	-0-

Student assistance consists of the WICHE and WAMI Programs, the Minnesota Rural Dentistry Program, the State Student Incentive Grant (SSIG) Program, and the National Direct Student Loan (NDSL) Program.

WAMI is a cooperative medical program with Washington, Alaska, Montana, and Idaho. Students take their first year of medical school in-state and the remainder at the University of Washington. According to the cooperative agreement, 20 Montana students are guaranteed admission to the University of Washington for each year of the 1985 biennium.

WAMI fees are set by the University of Washington School of Medicine. These fees are set on a cost plus basis and reflect the actual cost of education per student.

WICHE is a cooperative program between 13 western states offering advanced degrees in selected disciplines. Attendance in WICHE programs can be at a number of different campuses in the 13 states. Students applying for WICHE assistance are not guaranteed admission to the school of their choice.

WICHE support fees are determined by vote of the 39 WICHE commissioners. Although WICHE fees are related to the total cost of education per student, they are usually less than the total cost incurred by the receiving institution. The support fee paid by Montana is applied towards the cost of educating the student (i.e., instruction, institutional support, academic support, etc.). The cooperative agreement allows the student to pay in-state tuition. Table 1 presents actual and projected state paid WICHE fees for fiscal years 1982 to 1985.

Table 1
 Actual and Projected WICHE Rates by Discipline
 Fiscal 1982 - 1985

<u>Discipline</u>	<u>Actual Fiscal 1982</u>	<u>Budgeted Fiscal 1983</u>	<u>-----Projected----- Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>% Change Biennium 1983-85</u>
Medicine	\$16,300	\$18,700	\$20,000	\$21,000	17.1
Dentistry					
Regular Program	\$ 9,600	\$10,500	\$10,500	\$10,500	4.5
Accelerated Program	\$12,800	\$14,000	\$14,000	\$14,000	4.5
Veterinary Medicine	\$12,300	\$13,100	\$13,100	\$13,600	5.1
Optometry	\$ 5,200	\$ 5,600	\$ 5,600	\$ 5,700	4.6
Occupational Therapy	\$ 1,400	\$ 1,500	\$ 3,500	\$ 3,700	148.3
Public Health	\$ 4,300	\$ 4,900	\$ 4,900	\$ 4,900	6.5
Podiatry	\$ 5,800	\$ 6,200	\$ 6,200	\$ 6,500	5.8

The Rural Dentistry Program is offered at the University of Minnesota. Four Montana students are guaranteed admission for each year of the 1985 biennium. The cost per student (\$10,500) is the same as the negotiated rate for WICHE.

National Direct Student Loans (NDSL) and State Student Incentive Grants (SSIG) are federal student aid programs.

Table 2 summarizes the number of students enrolled in WICHE, WAMI, and Minnesota Rural Dentistry.

Table 2
 Student Enrollment in Interstate Programs
 Fiscal 1982 - 1983

Program	-----Fiscal 1982-----			-----Fiscal 1983-----		
	Beginning Students	Continuing Students	Total	Beginning Students	Continuing Students	Total
WAMI*	20	60	80	20	60	80
WICHE	32	101	133	37	96	133
Minnesota Rural Dentistry	<u>4</u>	<u>11</u>	<u>15</u>	<u>4</u>	<u>11</u>	<u>15</u>
Total	56 ==	172 ===	228 ===	61 ==	167 ===	228 ===

*The 20 WAMI freshmen take their first year of medical school at Montana State University and are not included in the appropriation for WAMI. Continuing students go out-of-state to the University of Washington and are included in the appropriation.

Current Level Adjustments

General fund decreases as coal tax revenue assumes a greater portion of student assistance. Interest earned from the trust fund is projected to be \$1,547,000 in fiscal 1984 and \$1,835,000 in fiscal 1985.

Total expenditures for student assistance increase by 9.8 percent from the 1983 biennium. Increased expenditures for WAMI and WICHE account for 98 percent of the total increase in expenditures for student assistance.

General fund support for NDSL decreases by 8.8 percent, commensurate with a decrease in federal funding. Funding for NDSL is provided on a nine to one ratio (federal to state).

General fund support for state student incentive grants remains fairly constant from the 1983 biennium. In fiscal 1982, federal SSIG grants were matched 50 percent by the state.

Issue 1: Physician Education

The cost of providing education for medical doctors through WICHE and WAMI is the major expense incurred under the student assistance program. This issue will examine three factors that relate to the cost of providing medical education for doctors. The three factors are:

1. The cost of providing medical education for doctors is rapidly increasing (Table 3).
2. Montana supports more students than the average of other "sending" states (Table 4).
3. The "sending" states of Idaho and Wyoming have more stringent requirements applicable to providing student assistance.

Table 3 illustrates the current cost and enrollment of the medical programs in WICHE and WAMI.

Table 3
 Total Cost of the Medical Program for
 WICHE and Continuing Students in WAMI
 Fiscal Years 1982 - 1985

<u>Program</u>	<u>FY 1982</u>	<u>FY 1983</u>	C.H.E.* ---Projected---		<u>% Biennium 1983-1985</u>
			<u>FY 1984</u>	<u>FY 1985</u>	
<u>Cost</u>					
WAMI	\$1,439,257	\$1,625,272	\$1,636,332	\$1,767,423	11.1
WICHE	<u>584,273</u>	<u>722,092</u>	<u>760,000</u>	<u>840,000</u>	<u>22.5</u>
Total	<u>\$2,023,530</u> =====	<u>\$2,347,364</u> =====	<u>\$2,396,332</u> =====	<u>\$2,607,423</u> =====	<u>14.5</u> =====
<u>Students Served</u>					
WAMI	60	60	60	60	0.0
WICHE	<u>37</u>	<u>39</u>	<u>38</u>	<u>40</u>	<u>2.6</u>
Total	<u>97</u> ==	<u>99</u> ==	<u>98</u> ==	<u>100</u> ==	<u>1.0</u> ==

*Commissioner of Higher Education. The 20 freshmen WAMI students at Montana State University are excluded from the table.

The total cost of educating physicians through WICHE and WAMI is projected to increase 14.5 percent from the 1983 biennium. Total enrollment, excluding the 20 freshmen students in WAMI, is projected to increase 1 percent over the same time period.

The total cost of the medical program in WICHE is projected to increase 22.5 percent from the 1983 biennium. This results from a combination of a projected 2.6 percent increase in enrollments and a 17.1 percent increase in the support fee (Table 1).

Table 4 compares student enrollment in the medical program of WICHE, WAMI, and Independent Student Assistance Programs (ISAP) for the states of Montana, Alaska, Wyoming, and Idaho for fiscal years 1982 and 1983. These states were chosen because they were "sending states"--i.e., states that do not have a medical school. Independent Student Assistance Programs are contracts negotiated by a state with one or more medical schools to accept their medical students. Wyoming and Idaho are the only states in the table that have independent agreements. As the table illustrates, Montana's subsidized enrollment was larger than that of Alaska, Idaho, or Wyoming in fiscal 1982.

Table 3
 Medical Student Enrollment by State in
 WAMI, WICHE, and ISAP
 Fiscal Years 1982 - 1983*

<u>State</u>	-----Fiscal 1982-----			
	<u>WICHE</u>	<u>WAMI</u>	<u>ISAP</u>	<u>Total</u>
Montana	37	80	-0-	117
Alaska	11	40	-0-	51
Wyoming	14	-0-	100	114
Idaho	-0-	80	20	100

<u>State</u>	-----Fiscal 1983-----			
	<u>WICHE</u>	<u>WAMI</u>	<u>ISAP</u>	<u>Total</u>
Montana	39	80	-0-	119
Alaska	10	40	-0-	50
Wyoming	18	-0-	101	119
Idaho	-0-	80	20	100

*Ten Alaska WAMI students and 20 WAMI students from Montana and Idaho take their first year of medical school in their home state and the last three years at the University of Washington.

Wyoming and Idaho have independently negotiated contracts (ISAP) with medical schools to accept their students. Wyoming does not support any medical students through WAMI and Idaho does not support any medical students through WICHE. Students receiving assistance under independent programs have special conditions applicable to their school aid.

Wyoming has contracted with two medical schools to accept their students. A maximum of 30 freshmen students is guaranteed admission for each year of the 1985 biennium. The main advantage of this program over WICHE is the guarantee of admission. Students receiving assistance under this program are required to sign a contract which requires them to do one of the following:

1. Return to the state of Wyoming for three years of medical practice.

2. Return to one of two family residency programs.
3. If the student elects not to take option one or two, the amount of student assistance received under the program is treated as a loan and must be paid back.

Idaho contracts with the University of Utah. Five students are guaranteed admission. The total number of students supported under this agreement is 20. The University of Utah is also a WICHE participating medical school and has agreed to accept the WICHE support fee per student of \$18,700 in fiscal 1983. In fiscal 1983, Idaho paid \$17,370 of the support fee. The student is required to pay the balance of \$1,330.

OPTIONS

Option a: Reduce WICHE-supported medical students by five each year of the biennium.

The average number of medical students supported by Alaska, Wyoming, and Idaho in fiscal 1982 is 88. This option would reduce enrollment from the fiscal 1983 level by five in 1984 and another five in 1985. State support for continuing students already receiving assistance under the program would not be affected. Table 5 presents current level enrollments for fiscal 1982 and 1983, and enrollments under option a for fiscal 1984 to 1987.

Table 5
 Current Level Enrollments for Fiscal 1983 and
 Reduced Enrollments Under Option a for Fiscal 1984-1987

<u>Year</u>	<u>Beginning Students</u>	<u>Continuing Students</u>	<u>Total WICHE</u>	<u>Total WAMI</u>	<u>Total Medical</u>
1982 Actual	10	27	37	80	117
1983	10	29	39	80	119
1984	5	28	33	80	113
1985	5	25	30	80	110
1986	5	20	25	80	105
1987 and beyond	5	15	20	80	100

Ten beginning students are now projected for fiscal years 1984 and 1985. This option would reduce the number of beginning students funded under the WICHE program to five in each year. The total number of medical students supported by Montana would be reduced to 100 in four years. The total of 100 students would include 80 students supported through WAMI and 20 medical students receiving assistance through WICHE. Each year 25 new students would enter the program. The 25 students include five WICHE students and 20 WAMI students. The general fund savings would be \$100,000 in fiscal 1984 and \$210,000 in fiscal 1985.

Issue 2: WICHE Funding Over Current Level

Current level represents the actual enrollment distribution for fiscal 1982. Table 6 compares the cost of supporting the actual enrollment distribution in fiscal 1982 with the enrollment distribution projected by the Commissioner's Office in fiscal 1984.

Table 6
 Cost Comparison of Enrollment Distribution for Fiscal 1982
 and Fiscal 1984 Using Fiscal 1984 Support Fees

<u>Discipline</u>	<u>Actual FY '82 Enroll.</u>	<u>C.H.E. Projected FY '84 Enroll.</u>	<u>Total Cost of '82 Enroll. at FY '84 Support Fee</u>	<u>Total Cost of '84 Enroll. at FY '84 Support Fee</u>	<u>Cost Difference in Enroll. Distrib.</u>
Medicine	37	38	\$ 740,000	\$ 760,000	\$ 20,000
Dentistry	16	13	201,250	164,500	(36,750)
Veterinary Med.	49	51.5	641,900	674,650	32,750
Optometry	25	24	140,000	134,400	(5,600)
Occup. Therapy	4	4	14,000	14,000	-0-
Public Health	2	4	9,800	17,967	8,167
Podiatry	0	4	-0-	24,800	24,800
Total	133 ===	138.5 =====	\$1,746,950 =====	\$1,790,317 =====	\$ 43,367 =====

As indicated in Table 6, the Commissioner's Office projected WICHE enrollment to total 138.5 in fiscal 1984, a 5.5 student increase from fiscal 1982. The general fund cost of the increase in enrollment is \$43,367 in fiscal 1984.

Table 7 compares the cost of supporting the enrollment distribution funded by the legislature in fiscal 1982 with the enrollment distribution projected by the Commissioner's Office in fiscal 1985.

Table 7
 Cost Comparison of Enrollment Distribution for Fiscal 1982 and
 Fiscal 1983 Using Fiscal 1985 Support Fees

<u>Discipline</u>	<u>Actual FY '82 Enroll.</u>	<u>C.H.E. Projected FY '85 Enroll.</u>	<u>Total Cost of '82 Enroll. at FY '85 Support Fee</u>	<u>Total Cost of '85 Enroll. at FY '85 Support Fee</u>	<u>Cost Difference in Enroll. Distrib.</u>
Medicine	37	40	\$ 777,000	\$ 840,000	\$ 63,000
Dentistry	16	12	192,500	147,000	(45,500)
Veterinary Med.	49	52	666,400	707,200	40,800
Optometry	25	23	142,500	131,100	(11,400)
Occup. Therapy	4	6	10,367	17,767	7,400
Public Health	2	5	9,800	20,600	10,800
Podiatry	<u>0</u>	<u>6</u>	<u>-0-</u>	<u>39,000</u>	<u>39,000</u>
Total	133 ===	144 ===	\$1,798,567 =====	\$1,902,667 =====	\$104,100 =====

Fiscal 1985 enrollment is projected by the Commissioner's Office to total 144, an 11 student increase from fiscal 1982. The general fund cost of the increase in enrollment is \$104,100 in fiscal 1985.

The general fund cost of funding the higher level of enrollments is \$43,367 in fiscal 1984 and \$104,100 in fiscal 1985.

Issue 3: Guaranteed Student Loan Program

In fiscal 1982, \$260,691 in spending authority was budget amended for the Guaranteed Student Loan Program. Montana has been administering the Guaranteed Student Loan Program since July of 1980. Funding of this program has never been brought before the legislature for consideration, in violation of Section 3 of HB 500. The legislature should consider appropriating these funds. A budget for fiscal years 1984 and 1985 was requested, but was not available as of this writing. The issue table reflects

the fiscal 1982 expenditure carried forward to fiscal years 1984 and 1985. The administrative budgets for fiscal 1984 and 1985 will depend on the volume of student loans.

Issue 4: Work Study

The commissioner's office is requesting \$3,000,000 general fund in the 1985 biennium for a work study program. Funding for the current work study program is provided by the federal government under Title IV of the Higher Education Act of 1965. The commissioner's request was based on a recommendation in the Reagan budget to cut federal work study allocations approximately 25 percent. Congress subsequently restored the funds and is maintaining the federal allocation under continuing resolution. As of this writing, the federal allocation of work study funds for fiscal 1984 and 1985 cannot be determined.

The proposed state-funded work study program has been modeled after the federal program. Acceptance of students into the state-funded program, and calculation of award amounts, is based on a formula calculation of the student's financial need. Currently under the federal work study program, the average award per student for the Montana University System and community colleges is approximately \$1,000. Students can earn up to the award amount, at which point employment is terminated for the academic year. The federal work study program is entirely campus based with the employer (i.e., university units, community colleges) providing 20 percent of the student's earnings. The federal government contributes 80 percent to the student's earnings. Funding under the proposed state-funded work-study program would be on a 70 to 30 ratio (state to employer). The funds would be allocated to the campuses by the commissioner's office based upon student enrollment. Receiving institutions would contribute from campus resources 30 percent of the student's earnings.

Student aid currently exists in the form of grant programs, loan programs, and college work study. Grant programs include scholarships and fellowships, state student incentive grants (SSIG), Minnesota rural dentistry, WICHE, WAMI, basic educational opportunity grants (BEOG), and supplemental educational opportunity grants (SEOG). These programs do not require repayment by the student. SSIG, BEOG, and SEOG are

federally based student aid programs. Montana appropriates general fund for the state match in the SSIG program. No state funds are appropriated for BEOG and SEOG. Students must satisfy a financial needs test to qualify for grant awards under all three programs.

Major loan programs include the guaranteed student loan program (GSL) and the national direct student loan program (NDSL). Both programs provide low interest loans to students. Montana took over administration of the GSL program from the federal government in fiscal 1981. Funding for student loans is provided through the private sector (i.e., banks and savings and loans). The GSL program is federally insured. NDSL funds are administered by the campuses with funding being provided on a 9 to 1 ratio (federal to state). There is also some private matching funds in the NDSL program. Both loan programs are based on financial need.

Table 8 presents state and federal student aid programs and amounts allocated through each program for fiscal years 1982 to 1985.

Table 8
 Actual and Projected Amounts Allocated through
 State and Federal Student Aid Programs
 Fiscal 1982-1985

State Funded/Admin.	Actual FY '82	-----Projected-----			% Change Biennium 1983- 1985
		FY '83	FY '84	FY '85	
Scholarships	\$ 1,886,188	\$ 1,970,908	\$ 2,456,319	\$ 2,614,191	31.4
WICHE ¹	1,510,904	1,643,800	1,746,950	1,798,567	12.3
WAMI ¹	1,439,257	1,625,272	1,636,332	1,767,423	11.1
Minnesota Dent. ¹	144,000	168,000	168,000	168,000	7.7
SSIG (State Match)	175,000	175,000	175,000	175,000	0.0
NDSL (State Match)	64,420	100,000	75,000	75,000	(8.8)
Total	\$ 5,219,769	\$ 5,682,980	\$ 6,257,601	\$ 6,598,181	17.9
	=====	=====	=====	=====	=====
GSL (Private Funds) ²	\$15,799,617	\$16,500,000	\$16,500,000	\$16,500,000	2.2
SSIG (Private Funds)	31,953	36,502	35,000	35,000	2.3
Total	\$15,831,570	\$16,536,502	\$16,535,000	\$16,535,000	2.2
	=====	=====	=====	=====	=====
Federally Funded					
BEOG ³	\$ 6,363,449	\$ 6,549,888	\$ 6,549,888	\$ 6,549,888	1.4
SEOG ³	832,198	664,854	664,854	664,854	(11.2)
Work Study ³	2,334,360	2,153,911	2,153,911	2,153,911	(4.0)
NDSL ³	874,680	970,465	970,465	970,465	5.1
SSIG	206,953	211,592	210,000	210,000	0.3
Total	\$10,611,640	\$10,550,710	\$10,549,118	\$10,549,118	(0.3)
	=====	=====	=====	=====	=====
Total Student Aid	\$31,662,979	\$32,770,192	\$33,341,719	\$33,682,299	4.0
	=====	=====	=====	=====	=====

¹Support fees are paid for students attending out-of-state institutions in graduate programs.

²Included are loans to graduate and undergraduate students attending out-of-state and in-state 2 and 4-year institutions (approximately 25 percent of the loans are to students going out-of-state).

³Includes units of the Montana University System and the community colleges. Total expenditures were held constant from fiscal 1983 to 1985. Federal allocations for fiscal 1984 and 1985 cannot be determined at this time. NDSL includes loan collections that fund additional student loans.

OPTIONS

Option a: \$3,000,000 general fund

This option would provide \$1.5 million in general fund for the proposed state work study program for each year of the 1985 biennium. Given that the employer matching requirement will be 30 percent, total earnings of \$2,142,857 would be generated each fiscal year. Using an average award of \$1,000, approximately 2,143 additional students would be served each fiscal year. In fiscal 1982, approximately 2,334 students received assistance under the federal work study program.

The general fund cost of funding the work study proposal under this option is \$1,500,000 in fiscal 1984 and \$1,500,000 in fiscal 1985.

Option b: \$360,898 general fund

The projected federal work study allocation in fiscal 1983 (Table 8) represents a decrease from fiscal 1982 of \$180,449, or 7 percent. This option would provide general fund in the amount of the projected decrease in the federal allocation in fiscal 1983. Total earnings of \$257,784 would be generated each fiscal year. Using an average award of \$1,000, approximately 258 students would be served each fiscal year.

The general fund cost of funding the work study proposal under this option is \$180,449 in fiscal 1984 and \$180,449 in fiscal 1985.

Option c: Zero funding

This option would provide no general fund for the proposed state work study proposal in the 1985 biennium. Student financial aid would be provided from current sources.

COMMUNITY COLLEGES

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	N/A	\$6,122,321	\$6,122,321
LFA Current Level	N/A	<u>6,726,597</u>	<u>6,726,597</u>
Executive Over (Under) LFA	N/A =====	\$ (604,276) =====	\$ (604,276) =====

The difference between LFA current level and the executive budget is due primarily to the executive lowering the percentage of state support for the community colleges' unrestricted budgets from 53 percent to 50 percent and the executive's use of lower cost factors in the budget calculations. The executive used a cost factor lower than the LFA by \$140 per FTE in fiscal 1984 and \$288 per FTE in fiscal 1985. The following table presents an enrollment comparison.

Table 1
Enrollment Comparison Between Executive and LFA
1985 Biennium

	-----Fiscal 1984-----			-----Fiscal 1985-----		
College	Exec.	LFA	Difference	Exec.	LFA	Difference
Dawson	325	335	(10)	326	335	(9)
Flathead Valley	750	777	(27)	755	777	(22)
Miles City	<u>638</u>	<u>580</u>	<u>58</u>	<u>668</u>	<u>580</u>	<u>88</u>
Total	1,713 =====	1,692 =====	21 ==	1,749 =====	1,692 =====	57 ==

The LFA current level is \$180,654 higher than the executive budget for Dawson Community College, \$427,682 higher for Flathead Valley Community College, and \$4,060 lower for Miles Community College in the 1985 biennium.

COMMUNITY COLLEGE ASSISTANCE

<u>Fund Source</u>	<u>Actual Fiscal 1982</u>	<u>Appropriated Fiscal 1983</u>	<u>LFA Current Fiscal 1984</u>	<u>Level Fiscal 1985</u>	<u>% Change Biennium 1983-85</u>
General Fund Approp.	\$2,493,459	\$2,643,923	\$3,265,103	\$3,461,494	30.9
Total Funds	\$2,493,459 =====	\$2,643,923 =====	\$3,265,103 =====	\$3,461,494 =====	30.9 =====

ISSUES

	<u>-----Fiscal 1984-----</u>		<u>-----Fiscal 1985-----</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Proposed Nursing Program at Flathead Valley	\$ -0-	\$ -0-	\$61,374	\$ -0-

Community college funding was significantly revised by the 1981 Legislature. In passing HB 69, the legislature replaced the previous 65-35 state-to-local funding ratio with a unit-rate funding model. The unit-rate model generates the unrestricted budget for each community college by multiplying the number of full-time equivalent students (FTE) enrolled at each college by an average level of expenditure per FTE.¹ The general fund share equals 53 percent of the total unrestricted budget calculated by this formula.

Excluding general fund, the remainder of the unrestricted budget is financed from a combination of local revenues including the mandatory levy, student tuition and fees, interest, and other unrestricted revenues. The formula used to calculate the mandatory mill levy is presented in Table 1.

¹A full-time equivalent student equals 15 credit hours per quarter and 45 student credit hours per academic year. The average expenditure per FTE includes the average cost of instruction, academic support, institutional support, operation and maintenance of plant, and student services.

Table 1
Formula Calculation of Mandatory Mill Levy

Total Unrestricted Budget
Minus-General Fund
Minus-Student Tuition and Fees
Minus-Other Unrestricted Revenues
Minus-Income Carryover

Mandatory Mill Levy
=====

The biennial increase in general fund of 30.9 percent reflects the impact of increased enrollments. Total FTE is projected to increase 18.2 percent from appropriated FTE in the 1983 biennium. Table 2 presents actual and projected FTE for fiscal years 1982 to 1985.

Table 2
Actual and Appropriated FTE
Fiscal Years 1982 - 1985

College	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	-----Projected----- Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
Dawson	330	310	335	335	4.7
Flathead Valley	740	651	777	777	11.7
Miles City	<u>576</u>	<u>450</u>	<u>580</u>	<u>580</u>	<u>13.1</u>
Total	<u>1,646</u> =====	<u>1,411</u> =====	<u>1,692</u> =====	<u>1,692</u> =====	<u>10.7</u> =====

Enrollment at Dawson and Miles City is projected to level off at 335 and 580 in fiscal 1984 and 1985, respectively. The pool of high school graduates in these counties is projected to decrease in the 1985 biennium--14.5 percent in Dawson county and 29 percent in Custer county. According to Dawson and Miles City, their FTE enrollments will not be impacted by the drop in high school graduates in the 1985 biennium due to a projected increase in the number of older students returning to college.

In fiscal 1983, Flathead Valley added summer session to their college curriculum. Summer session is projected to increase enrollments by 37 FTE from fiscal 1983 to fiscal 1985.

The enrollments and cost factors used to develop the 1985 biennium appropriations are presented in Table 3.

Table 3
Projected Enrollments and Cost Factors
1985 Biennium

<u>Community College</u>	<u>Projected Enrollment</u>		<u>Cost Per Student</u>	
	<u>FY '84</u>	<u>FY '85</u>	<u>FY '84</u>	<u>FY '85</u>
Dawson	335	335	\$3,641	\$3,860
Flathead Valley	777	777	\$3,641	\$3,860
Miles City	580	580	\$3,641	\$3,860

Dawson Community College anticipates phasing completely onto the funding formula in the 1985 biennium. Dawson was appropriated a 13 percent higher cost factor in the 1983 biennium to avoid a drastic reduction in services due to declining enrollments and to allow them time to phase onto the funding formula. The cost per FTE represents an average level of expenditure for Montana's system of community colleges adjusted for inflation.

Calculation of the current unrestricted budgets for the community colleges for the 1985 biennium is presented in Table 4.

Table 4
Calculation of the Community Colleges
Unrestricted Budgets
Fiscal 1984 and 1985

<u>Fiscal 1984</u>					
<u>College</u>	<u>FTE Enrolled</u>	<u>Cost Factor</u>	<u>Unrestricted Budget</u>	<u>% State Support</u>	<u>General Fund Appropriation</u>
Dawson	335 x	\$3,641 =	\$1,219,735 x	53 =	\$ 646,460
Flathead Valley	777 x	3,641 =	2,829,057 x	53 =	1,499,400
Miles City	580 x	3,641 =	2,111,780 x	53 =	1,119,243
Total	1,692 =====		\$6,160,572 =====		\$3,265,103 =====
<u>Fiscal 1985</u>					
Dawson	335 x	\$3,860 =	\$1,293,100 x	53 =	\$ 685,343
Flathead Valley	777 x	3,860 =	2,999,220 x	53 =	1,589,587
Miles City	580 x	3,860 =	2,238,800 x	53 =	1,186,564
Total	1,692 =====		\$6,531,120 =====		\$3,461,494 =====

Several costs included in the cost factors for fiscal 1984 and fiscal 1985 do not increase proportionately with increases in enrollment. These costs would include academic support, institutional support, and operation and maintenance of plant. For example, operation and maintenance of plant includes the costs of maintaining the physical facilities at the campuses. This includes building and grounds maintenance, custodial services and utilities. These costs react more to inflationary pressures than to increases in enrollment. The legislature may want to consider modifying the funding formula to recognize that the aforementioned program costs react more to inflation than to increases in enrollment.

Issue 1: Proposed Nursing Program at Flathead Valley Community College

Flathead Valley was successful in passing a one-mill voted levy to finance start-up costs of a nursing program in fiscal 1985. Before nursing students can be accepted into the program, certification must be received

from the state Board of Nursing. The Board of Regents must also approve the nursing program. As of this writing, Flathead Valley has not received certification from the state Board of Nursing or approval from the Board of Regents. If the proposed nursing program receives certification and approval, it would bring the number of associate nursing programs offered in Montana to three. The following nursing programs are currently offered in Montana:

Associate Degree Programs

1. Miles Community College, Miles City
2. Northern Montana College, Havre

Four-Year R. N. Baccalaureate Programs

1. Montana State University, Bozeman
2. Carroll College, Helena

Licensed Practical Nursing Programs

1. Billings Vo-Tech
2. Helena Vo-Tech
3. Missoula Vo-Tech
4. Great Falls Vo-Tech
5. Butte Vo-Tech

Flathead projects that the nursing program will generate 30 FTE in fiscal 1985. The general fund cost of the additional 30 FTE in fiscal 1985 is \$61,374, and is calculated as follows:

<u>FTE</u>	<u>Cost Factor</u>		<u>Total Unrestricted Budget</u>		<u>% State Support</u>		<u>General Fund</u>
30	x \$3,860	=	\$115,800	x	53	=	\$61,374

AGRICULTURAL EXPERIMENT STATION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	298.29	\$11,570,262	\$18,512,842
LFA Current Level	<u>304.14</u>	<u>11,336,847</u>	<u>18,549,905</u>
Executive Over (Under) LFA	(5.85) =====	\$ 233,415 =====	\$ (37,063) =====

The difference in FTE is due to the experiment station moving 5.85 FTE associated with the soils and seed laboratories into a designated account in fiscal 1983. These FTE are in LFA current level.

The difference in total funds is attributable to the following: (1) the executive budget is lower in personal services by \$389,176, (2) the executive budget is higher in equipment by \$164,341, (3) the executive budget is higher in operating expenses by \$151,458, which is dispersed through several line items, and (4) the executive budget contained \$36,314 for capital improvements which is not in LFA current level.

The difference in the general fund results from less earmarked revenue being anticipated in the executive budget.

AGRICULTURAL EXPERIMENT STATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	305.25	304.14	304.14	304.14	(0.1)
<u>Fund Source</u>					
General Fund Approp.	\$4,837,688	\$5,587,247	\$5,592,194	\$5,744,653	8.7
Other Funds Approp.	<u>3,220,174</u>	<u>3,413,182</u>	<u>3,588,325</u>	<u>3,624,733</u>	<u>8.7</u>
Total Funds	<u>\$8,057,862</u>	<u>\$9,000,429</u>	<u>\$9,180,519</u>	<u>\$9,369,386</u>	<u>8.7</u>
<u>Expenditures by Object</u>					
Personal Services	\$5,912,535	\$6,569,974	\$6,903,983	\$6,919,033	10.7
Operating Expenses	1,782,752	2,139,018	2,015,209	2,188,210	7.1
Equipment	<u>346,886</u>	<u>291,437</u>	<u>261,327</u>	<u>262,143</u>	<u>(17.9)</u>
Total Operating Costs	\$8,042,173	\$9,000,429	\$9,180,519	\$9,369,386	8.8
Non-Operating Expend.	<u>15,689</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$8,057,862</u>	<u>\$9,000,429</u>	<u>\$9,180,519</u>	<u>\$9,369,386</u>	<u>8.7</u>

The Montana Agricultural Experiment Station, headquartered in Bozeman, carries out a variety of research embracing agricultural problems of a local, regional, and national character. Crops and livestock provide the primary focus of research with a major emphasis on production improvement.

The Experiment Station budget is funded by five sources of revenue. Two of these, Hatch Act and Regional Research, are federal. Two are earmarked revenues earned from the sale of agricultural products and services. General fund provides the remainder of the station's financial support. The livestock and range research station at Miles City is supported completely from earmarked revenue and fund balance carry-overs. Table 1 presents actual and projected revenues for fiscal 1982 to 1985.

Table 1
Actual and Projected Revenues
for Fiscal Years 1982-1985

<u>Fund Source/Program</u>	<u>Actual FY '82</u>	<u>Approp. FY '83</u>	<u>-----Projected----- FY '84</u>	<u>FY '85</u>	<u>% Change Biennium 1983-1985</u>
<u>Station Excluding Range Station</u>					
General Fund	\$4,837,688	\$5,587,247	\$5,592,194	\$5,744,653	8.7
Earmarked	704,000	750,000	877,176	808,696	15.9
Hatch	514,792	524,714	535,381	556,796	5.0
Regional Research	<u>1,063,934</u>	<u>1,084,453</u>	<u>1,127,831</u>	<u>1,172,944</u>	<u>7.0</u>
Total	<u>\$7,120,414</u>	<u>\$7,946,414</u>	<u>\$8,132,582</u>	<u>\$8,283,089</u>	<u>8.9</u>
	=====	=====	=====	=====	===
<u>Range Station</u>					
Earmarked ²	<u>\$ 937,448</u>	<u>\$1,054,015</u>	<u>\$1,047,937</u>	<u>\$1,086,297</u>	<u>7.1</u>
Total	<u>\$937,448</u>	<u>\$1,054,015</u>	<u>\$1,047,937</u>	<u>\$1,086,297</u>	<u>7.1</u>
	=====	=====	=====	=====	===
Total Funding	<u>\$8,057,862</u>	<u>\$9,000,429</u>	<u>\$9,180,519</u>	<u>\$9,369,386</u>	<u>8.7</u>
	=====	=====	=====	=====	===

¹Fund balance carryovers are appropriated.

²Fund balance carryovers are not shown in the table. The range station had a fund balance carryover from fiscal 1982 into fiscal 1983 of \$1,005,721.

EXPERIMENT STATION EXCLUDING RANGE STATION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	263.80	264.01	264.01	264.01	0.0
<u>Fund Source</u>					
General Fund Approp.	\$4,837,688	\$5,587,247	\$5,592,194	\$5,744,653	8.7
Other Funds Approp.	<u>2,282,726</u>	<u>2,359,167</u>	<u>2,540,388</u>	<u>2,538,436</u>	<u>9.4</u>
Total Funds	\$7,120,414 =====	\$7,946,414 =====	\$8,132,582 =====	\$8,283,089 =====	8.9 ===
<u>Expenditures by Object</u>					
Personal Services	\$5,228,745	\$5,796,200	\$6,150,667	\$6,164,101	11.6
Operating Expenses	1,544,203	1,863,777	1,734,194	1,871,267	5.7
Equipment	<u>331,777</u>	<u>286,437</u>	<u>247,721</u>	<u>247,721</u>	<u>(19.8)</u>
Total Operating Costs	\$7,104,725	\$7,946,414	\$8,132,582	\$8,283,089	9.0
Non-Operating Expend.	<u>15,689</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	\$7,120,414 =====	\$7,946,414 =====	\$8,132,582 =====	\$8,283,089 =====	8.9 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Weed Management	\$115,916	\$ -0-	\$117,618	\$ -0-

The Experiment Station budget funds seven research centers located at Kalispell, Conrad, Moccasin, Sidney, Corvallis, Havre, Huntley, the veterinary research, wool, soils, and seed laboratories at Montana State University, and research carried out at various departments at Montana State University. Excluding the pay plan, general fund provides 69 percent of the station's financial support in the 1985 biennium. The remainder of the station's support is financed from a combination of earmarked and federal Hatch and Regional Research revenues.

The 1981 Legislature granted a biennial increase in general fund of 60 percent. General fund increased from 50 percent of the station's financial

support in the 1981 biennium to 69 percent in the 1983 biennium. The increase allowed the Experiment Station to add 19.85 FTE to their staff at an additional personal service cost of \$589,874. The additional staff (support personnel) were added to increase the efficiency and amount of research carried out at the station. The experiment station requested and received additional general fund for the following projects (not inclusive): (1) safflower breeding; (2) beef cattle nutrition studies; (3) soil borne crop diseases; and (4) foundation seed. A report was requested from the Experiment Station on the status of these projects, and will be available before the session convenes.

The 1981 Legislature also appropriated \$552,389 (excluding range station) for equipment in the 1983 biennium. A current inventory listing was requested but was not available as of this writing.

Current Level Adjustments

Personal services increase 11.6 percent from the 1983 biennium. Part of the increase results from vacancy savings not being shown in the table in fiscal 1984 and 1985. Vacancy savings will reduce personal services amounts and the general fund. The Experiment Station had a vacancy savings rate of approximately 4.6 percent in fiscal 1982. A 3.5 percent vacancy savings factor is recommended for fiscal 1984 and 1985.

Out-of-state travel expenditures increased 49.3 percent from fiscal 1981 to 1982. To bring fiscal 1984 and 1985 expenditures in line with expenditures from previous fiscal years, out-of-state travel expenditures were averaged for fiscal years 1979 to 1981.

The Experiment Station requested \$1,064,233 for equipment in the 1985 biennium. The Experiment Station did not supply an itemized list of equipment requested for the 1985 biennium, nor was a current inventory listing available. The line item for equipment in the budget was derived by averaging equipment expenditures for fiscal years 1979 to 1983. Table 2 presents actual and projected equipment expenditures for fiscal 1979 to 1985.

Table 2
Actual and Projected Equipment Expenditures
Fiscal 1979-1985*

-----Actual-----

1979	\$424,806
1980	161,567
1981	99,843
1982	331,777

-----Budgeted-----

1983	\$220,612
------	-----------

-----Projected-----

1984 (Average)	\$247,721
1985 (Average)	247,721

*Excludes range station.

Earmarked revenue is projected to increase 13.2 percent from the 1983 biennium. Table 3 presents actual and projected revenues for fiscal years 1982 to 1985.

Table 3
Actual and Projected Earmarked Revenues
Fiscal Years 1982-1985*

Department/Center	Actual FY '82	Projected 5-Year Average FY '83	Projected Based on Fy '83 Average FY '84	Projected Based on FY '85	Major Source(s) of Income
D.O. Admin.	\$ 121	\$ ---	\$ ---	\$ ---	
Animal & Range	338,522	340,373	350,584	361,101	Dairy
Soils Laboratory	30,663	33,273	34,271	35,229	Fees
Seed Laboratory	19,471	19,486	20,071	20,673	Fees
Central Res. Center	19,459	13,686	14,097	14,519	Crops
Eastern Res. Center	20,242	26,772	27,575	28,402	Crops
Southern Res. Center	78,292	87,557	90,183	92,889	Cattle & Crops
Northern Res. Center	193,583	186,358	191,949	197,707	Cattle & Crops
Northwestern Res. Center	19,850	12,662	13,042	13,433	Crops
Western Res. Center	1,577	1,674	1,724	1,776	Crops
Western Tri. Res. Center	4,288	2,318	2,387	2,459	Crops
Foundation Seed	55,059	38,183	39,328	40,508	Fees
Total	\$781,127 =====	\$762,342 =====	\$785,211 =====	\$808,696 =====	

*Does not include appropriated fund balances.

The Experiment Station proposes to move portions of the soils and seed laboratories, and all of foundation seed into a "designated" or revolving account. Under a revolving structure, fees are charged for the cost of the services provided. The station indicated that this accounting change is needed in order to identify the research and service components of the labs. The service component (income generator) would be moved to a designated account. This goal can be accomplished without going to a designated account by assigning responsibility center numbers within the statewide budgeting and accounting system (SBAS) to each component. The station's proposal would move all of the earmarked revenue and only part of the associated expenditures into a designated account. Unrestricted earmarked revenue generated by the soils and seed laboratories and foundation seed account for 13.5 percent of total unrestricted earmarked revenue in fiscal 1982.

Issue 1: Weed Management (4.5 FTE)

The Experiment Station is requesting general fund for a weed management program in the 1985 biennium. As proposed, this modified request would be part of a statewide Weed Management Program aimed at bringing noxious weeds (i.e., leafy spurge, spotted knapweed, Canadian thistle, and wild oats) under control. The statewide plan called for the Cooperative Extension Service to expand their effort in disseminating weed research information. They have a modified request in their budget asking for additional support. The plan also called for the state Department of Agriculture to provide a coordinating function (i.e., hire an individual to act as overall program coordinator) in bringing together all interested agencies and individuals and establishing and maintaining a unified, coordinated effort on weed control. The Department of Agriculture does not have a modified request in their budget that addresses the statewide weed management plan. The effectiveness of the statewide weed management proposal, and more specifically, the modified requests of the Cooperative Extension Service and the Agricultural Experiment Station, is questionable without the participation of the state Department of Agriculture as specified in the plan.

According to the Experiment Station, they have three weed research scientists paid from unrestricted funds. Weed research is currently being carried out at the Corvallis, Kalispell, Moccasin, Conrad, Huntley, and Sidney research centers. Approximately \$374,080 in unrestricted funds was spent on weed research in fiscal 1982. The Experiment Station is requesting three technicians (3 FTE) at a personal service cost of \$130,756 in the 1985 biennium, to assist in research and participate in demonstrations and workshops throughout the state. Three graduate research assistants (1.5 FTE) are requested to work with research scientists while working towards advanced degrees. The personal service cost of the graduate research assistants (1.5 FTE) is \$51,278 in the 1985 biennium. Operating capital of \$51,500 is requested to support existing weed research projects at the research centers.

The Experiment Station has established the following objectives for the weed research modified request for fiscal years 1982-1985:

1. To conduct basic research programs on biological weed control, weed ecology, and weed physiology by the three weed scientists.

2. To conduct field trials on current recommended or new chemicals, biological agents, and cultural practices for weed control in cereals and forages.

3. To develop economic analysis on applied research results and determine practicality for production agricultural use.

4. To integrate and reinforce the plant and soil science, research center, USDA, regional and international personnel and facilities in biological weed control.

5. To conduct demonstration workshops and educational programs throughout the state on proven methods of weed control.

6. To coordinate information distribution with weed districts, government agencies and other organizations having land management responsibilities and contact with the public.

It is questionable whether items (5) and (6) above are within the function of the Agricultural Experiment Station in providing research information. The services outlined in items (5) and (6) are more a function of the Cooperative Extension Service in disseminating research information.

The general fund cost of the Weed Research Program is \$115,916 in fiscal 1984 and \$117,618 in fiscal 1985.

RANGE STATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	41.45	40.13	40.13	40.13	(1.6)
<u>Fund Source</u>					
Other Funds Approp.	<u>\$937,448</u>	<u>\$1,054,015</u>	<u>\$1,047,937</u>	<u>\$1,086,297</u>	<u>7.1</u>
Total Funds	<u>\$937,448</u> =====	<u>\$1,054,015</u> =====	<u>\$1,047,937</u> =====	<u>\$1,086,297</u> =====	<u>7.1</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$683,790	\$ 773,774	\$ 753,316	\$ 754,932	3.4
Operating Expenses	238,549	275,241	281,015	316,943	16.3
Equipment	<u>15,109</u>	<u>5,000</u>	<u>13,606</u>	<u>14,422</u>	<u>39.3</u>
Total Operating Costs	<u>\$937,448</u> =====	<u>\$1,054,015</u> =====	<u>\$1,047,937</u> =====	<u>\$1,086,297</u> =====	<u>7.1</u> ===

The Livestock and Range Research Station (LARRS), located near Miles City, is a joint operation between the state and federal government. The station encompasses 55,300 acres which are owned by the federal government. The total 55,300 acres are utilized for livestock and range research. Approximately 2,000 acres of bottom land along the Yellowstone River in the western portion of the station are under irrigation. The station is currently expanding the irrigation system. The irrigation project will cost \$145,000 in earmarked revenue and is projected to be completed in fiscal 1985. The station currently has \$75,000 invested in a center pivot irrigation system. The station budget amended \$25,000 of earmarked revenue in fiscal 1982 and \$45,000 in fiscal 1983 to complete the state contribution in the project. The federal government is contributing approximately \$450,000 to the project bringing the total cost to \$595,000. The irrigation project will enhance the ability of the station to become self-supporting in feed production. Several feed supplements will still have to be purchased from outside sources.

A total of 51 permanent employees work at the station. Thirteen out of the 51 employees are research scientists employed and paid by the United States Department of Agriculture. The remaining 38 (FTE) employees are employed by the Montana Agricultural Experiment Station. A

temporary force between 2 and 15 are also employed at the station depending on the time of year, and are paid by the state.

The 1981 Legislature directed the station to conduct a study in the 1983 biennium to determine the ability of the station to remain self-supporting. The station did evaluate their operations and concluded no general fund will be required in the 1985 biennium. Predictions beyond the 1985 biennium are tenuous, given the state of the agricultural economy.

The station is funded completely from earmarked revenue and fund balance carryovers. Table 4 presents actual and projected revenues and fund balance carryovers for fiscal years 1982 to 1985.

Table 4
Range Station Actual and Projected
Revenues and Fund Balance Carryovers
Fiscal 1982 - 1985

	Actual FY '82	-----Projected----- FY '83	FY '84	FY '85
Beginning Bal.	\$ 877,745	\$1,005,720	\$ 901,930	\$ 829,225
Revenue	<u>1,065,423</u>	<u>950,225</u>	<u>977,232</u>	<u>1,005,049</u>
Total Funds	\$1,943,168	\$1,955,945	\$1,879,162	\$1,834,274
Less Total Expenditures	<u>937,448</u>	<u>1,054,015</u>	<u>1,049,937</u>	<u>1,086,297</u>
Ending Fund Balance	\$1,005,720 =====	\$ 901,930 =====	\$ 829,225 =====	\$ 747,977 =====

Revenues are earned primarily from the sale of livestock (animals surplus to research projects). The fund balance carryover serves to absorb any deficiency in revenues caused by fluctuation in livestock prices. The projected fund balances should be maintained to ensure the financial integrity of the station as a self-supporting entity.

Current Level Adjustments

Personal services increase 3.4 percent from the 1983 biennium. The increase in personal services will be greater when pay plan is included.

Part of the increase results as vacancy savings are not shown in the table in fiscal 1984 and 1985. A vacancy savings factor of 3.5 percent is recommended for fiscal 1984 and 1985.

The apparent reduction in FTE results as the station changed 7.32 academic year faculty FTE to 6.0 fiscal year professional FTE. One fiscal year FTE equals 1.22 academic year FTE. The formula conversion is based on an academic year FTE working nine months. These people were not paid from the faculty salary matrix nor were they tenured. There is no change in salary.

BUREAU OF MINES

BUREAU OF MINES

-----1985 Biennium-----

	FTE FY '85	General Fund	Total Funds
Executive Budget	33.59	\$3,161,533	\$3,561,533
LFA Current Level	<u>31.16</u>	<u>2,735,539</u>	<u>2,844,718</u>
Executive Over (Under) LFA	2.43 ====	\$ 425,994 =====	\$ 716,815 =====

The major difference in total funds is due to the executive budget continuing budget amended federal U.S.G.S. cooperative funds from fiscal 1982 that are not in the LFA current level. The executive budget is higher than the LFA current level by 2.43 FTE, at a personal service cost of \$210,502. The executive budget is also higher in equipment by \$86,087 in the 1985 biennium.

BUREAU OF MINES

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	35.25	31.16	31.16	31.16	(6.1)
<u>Fund Source</u>					
General Fund Approp.	\$1,277,378	\$1,402,562	\$1,351,370	\$1,384,169	2.0
Other Funds Approp.	<u>280,831</u>	<u>155,800</u>	<u>53,000</u>	<u>56,179</u>	(75.0)
Total Funds	<u>\$1,558,209</u>	<u>\$1,558,362</u>	<u>\$1,404,370</u>	<u>\$1,440,348</u>	(8.7)
<u>Expenditures by Object</u>					
Personal Services	\$ 800,032	\$ 989,943	\$ 826,831	\$ 828,659	(7.5)
Operating Expenses	415,615	259,900	306,684	328,077	(6.0)
Equipment	<u>122,453</u>	<u>68,600</u>	<u>50,490</u>	<u>50,026</u>	(47.3)
Total Operating Costs	\$1,338,100	\$1,318,443	\$1,184,005	\$1,206,762	(10.0)
Non-Operating Expend.	<u>220,109</u>	<u>239,919</u>	<u>220,365</u>	<u>233,586</u>	(1.3)
Total Expenditures	<u>\$1,558,209</u>	<u>\$1,558,362</u>	<u>\$1,404,370</u>	<u>\$1,440,348</u>	(8.7)

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Earthquake Studies	\$28,159	\$ -0-	\$28,221	\$ -0-
2. U.S.G.S. Cooperative Program	\$65,000	\$ -0-	\$65,000	\$ -0-

The Montana Bureau of Mines and Geology was established by the legislature in 1919. The bureau is a public service agency and research entity of the Montana College of Mineral Science and Technology. According to statute, the bureau is responsible for the following (not inclusive):

1. To collect, to compile, and to publish reports and statistics relative to Montana geology, mining, milling and metallurgy.

2. To collect typical geological and mineral specimens and samples of products; to collect photographs, models and drawings of appliances used in mines, mills, and smelters of Montana.

3. To study the geological formations of the state with special reference to their economic mineral resources, both metallic and nonmetallic, and with special reference to groundwater.

The 1981 Legislature significantly expanded the bureau's budget in the 1983 biennium. The legislature appropriated \$33,000 for cooperative groundwater research with the United States Geological Survey, \$310,986 and 4.25 FTE for state ground water research, and \$85,974 and 1.5 FTE for mineral resource studies in the 1983 biennium. Specific projects funded in the 1983 biennium include the following (not inclusive):

Cooperative Research with U.S.G.S.

1. Hydrogeological evaluation of the Stillwater Complex, Sweetgrass County. This surface hydrogeological study was initiated in cooperation with U.S.G.S to address the potential impact proposed mining activities might have on the Stillwater Complex.
2. Evaluation of geology and groundwater resources of the Big Hole Basin, Beaverhead County.

State Ground Water Research

1. Hydrogeologic investigation of Little Bitterroot Valley.
2. Aquifer evaluation of Radersburg Basin.
3. Reconnaissance monitoring and evaluation of Popular River, Big Flat, and Muddy Creek areas.

Mineral Resource Studies

1. Identified mining districts known to be producers of one or more strategic or critical minerals.
2. Preliminary reconnaissance and sampling of major manganese districts at Philipsburg and Butte, and the Warm Springs district in the Judith Mountains.
3. Sampling of the heath formation in cooperation with the Minerals Management Service.

According to the bureau, the aforementioned projects are still in various stages of completion. No formal reports are available as of this writing.

Current Level Adjustments

Total expenditures decrease 8.7 percent primarily as other funds decrease 74.9 percent from the 1983 biennium. The decrease in non-general fund revenues results from federal budget amended funds of \$207,944 being removed from the fiscal 1982 base. The bureau spent \$38,164 of the budget amendment in personal services, \$102,214 in operations, and \$67,566 for equipment.

The bureau moved their analytical lab and their hydrology test drilling operation into a "designated" or revolving account in fiscal 1982 and 1983, respectively. Under a designated account, the analytical lab charges fees for the cost of analyzing water samples. The hydrology test drilling operation charges fees for test drilling aquifers. Expenditures relating to the analytical lab and the test drilling operation were removed from the fiscal 1982 base. In the following table, column 1 presents total unrestricted expenditures prior to the analytical lab and the test drilling operation being moved to a designated account. Columns 2 and 3 present expenditures that were removed for the analytical lab and the test drilling operation in fiscal 1982.

Table 1
Total Unrestricted Expenditures and Expenditures
Removed for the Analytical Lab and Hydrology Test Drilling
Fiscal 1982

	-----Fiscal 1982-----		
	Total Unrestr. Expenditures	Analytical Lab.	Test Drilling
Personal Services	\$ 899,862	\$ 99,829	\$ -0-
Operating Expenditures	440,382	24,766	21,307
Equipment	124,068	1,614	-0-
Univeristy Transfer*	<u>220,109</u>	<u>20,462</u>	<u>3,522</u>
Total	\$1,684,421 =====	\$146,671 =====	\$ 24,829 =====

*The university transfer becomes part of the college's budget. Administrative recharges and expenditures incurred by the bureau for operation and maintenance of plant are paid for out of this transfer.

For any activity to be moved into a designated account, the following conditions must be satisfied: (1) the activity must be totally self-supporting; (2) expenditures can be made only in support of the activity involved; (3) the activity cannot receive budget support from other current funds; and (4) excess funds are normally not generated, and if they are, their use is contingent upon a transfer to the current unrestricted operating account.

Total FTE decrease by 6.1 percent from the 1983 biennium. The legislature authorized 36.16 FTE for fiscal 1983. The decrease from the authorized fiscal 1983 level results from the bureau transferring 4.25 FTE into a designated account with the analytical lab in fiscal 1982. The remaining FTE were reduced .75 FTE. This FTE will be discussed in Issue 1.

Personal services decreased 7.5 percent from the 1983 biennium. The decrease in personal services results from the bureau transferring 4.25 FTE into a designated account. The bureau had no vacancy savings in fiscal 1982. Zero vacancy savings is recommended for fiscal 1984 and 1985.

Issue 1: Earthquake Studies (.75 FTE)

The bureau funded .75 FTE in their unrestricted budget in fiscal 1983 for earthquake studies. The 1981 Legislature rejected a request from the bureau to fund earthquake studies in the 1983 biennium. The general fund cost, including the .75 FTE in fiscal 1984 and fiscal 1985, is \$28,159 and \$28,221, respectively.

Issue 2: U.S.G.S. Cooperative Program (0 FTE)

The Bureau of Mines is requesting \$130,000 in the 1985 biennium for cooperative research with the U.S. Geological Survey. If approved by the legislature, this request would bring state participation in the cooperative program to \$290,000 in the 1985 biennium. Cooperative funding is on a three to one ratio (federal to state). The federal match in the U.S.G.S. Cooperative Program would total \$810,000.

Programs to be funded by this request include:

<u>Program</u>	<u>Funding Allocation</u>
Topographic Surveys	\$15,000
Groundwater Resources	20,000
Mineral Resources	<u>30,000</u>
Total	\$65,000 =====

The \$15,000 request for topographic surveys represents an added service to the cooperative program. The \$15,000 allocation would be transferred to the United States Geological Survey. As research is completed on mapping a quadrangle (there are eight quadrangles in Montana), the bureau would receive from the U.S.G.S. topographic maps in digital form. The new technology of digital terrain mapping would allow the bureau to store topographic information on a computer for rapid retrieval and analysis. According to the bureau, it will take approximately 20 years to complete research on, and publish, the six remaining quadrangles. Two quadrangles are currently in publication.

The \$20,000 request for ground water resources, and the \$30,000 request for mineral resources, represent an expansion of current programs with the U.S.G.S. In the cooperative groundwater program, the bureau would expand state-wide water well monitoring, and would increase testing of underground aquifers. Water quality and quantity information derived from these two efforts would be entered into the statewide data base. The \$30,000 request for mineral resources would be used in the cooperative mineral appraisal program with the U.S.G.S. According to the bureau, the CUSMAP series (Conterminus United States Mineral Appraisal Program) will be completed in approximately five years. The general fund cost of increasing state participation in the U.S.G.S. Cooperative Program is \$65,000 in fiscal 1984 and \$65,000 in fiscal 1985.

COOPERATIVE EXTENSION SERVICE

COOPERATIVE EXTENSION SERVICE

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	132.86	\$4,554,194	\$8,331,943
LFA Current Level	<u>132.86</u>	<u>4,285,400</u>	<u>8,063,149</u>
Executive Over (Under) LFA	0.00	\$ 268,794	\$ 268,794
	====	=====	=====

The difference in total funds is attributable to the following: (1) the executive budget included \$85,828 more in employee benefits, (2) the executive budget is higher in operating expenses by \$163,783 which is dispersed through several line items, and (3) the executive budget is higher in equipment by \$19,193.

COOPERATIVE EXTENSION SERVICE

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	129.37	132.86	132.86	132.86	1.3
<u>Fund Source</u>					
General Fund Approp.	\$1,790,338	\$2,111,760	\$2,150,822	\$2,134,578	9.8
Other Funds Approp.	<u>1,641,137</u>	<u>1,670,477</u>	<u>1,860,960</u>	<u>1,916,789</u>	<u>14.1</u>
Total Funds	\$3,431,475 =====	\$3,782,237 =====	\$4,011,782 =====	\$4,051,367 =====	11.8 =====
<u>Expenditures by Object</u>					
Personal Services	\$2,751,919	\$3,097,189	\$3,320,029	\$3,321,109	13.5
Operating Expenses	658,184	654,073	662,084	696,650	3.5
Equipment	<u>18,483</u>	<u>27,913</u>	<u>26,424</u>	<u>30,169</u>	<u>21.9</u>
Total Operating Costs	\$3,428,586	\$3,779,175	\$4,008,537	\$4,047,928	11.8
Non-Operating Expend.	<u>2,889</u>	<u>3,062</u>	<u>3,245</u>	<u>3,439</u>	<u>12.3</u>
Total Expenditures	\$3,431,475 =====	\$3,782,237 =====	\$4,011,782 =====	\$4,051,367 =====	11.8 =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. AGNET				
Option a.	\$ 29,747	\$ -0-	\$ 30,742	\$ -0-
Option b.	(81,879)	-0-	(88,087)	-0-
2. Weed Management	\$ 59,700	\$ -0-	\$ 63,896	\$ -0-

The Montana Cooperative Extension Service is charged with the responsibility of disseminating useful information to citizens throughout the state, and to assist them in applying the information to their everyday problems. Most of the research information disseminated by the extension service is generated by specialists working for the Montana Agricultural Experiment Station.

Current Level Adjustments

The current level includes a 21.9 percent increase in equipment for the 1985 biennium. Some of the major equipment items included are five replacement typewriters for each year of the 1985 biennium at a cost of \$4,770 in 1984 and \$5,058 in 1985, audio-visual equipment at a cost of \$3,931 in 1984 and \$4,167 in 1985, and filing cabinets at a cost of \$1,000 in 1984 and \$1,060 in 1985.

Total FTE employees for fiscal 1982 are 3.49 FTE's above the authorized level. The AGNET coordinator was incorrectly authorized as 1.00 (FY) FTE. However, as this is a faculty position working the full fiscal year, it should have been recorded as 1.22 academic year (AY) FTE (no change in salary). The remaining 3.27 FTE increase is attributable to an increase in the state share of county agents' salaries. County agents are paid by both the state and the counties. The increased state share resulted from the 1981 Legislature granting a salary base adjustment of \$106,808 for fiscal year 1982, and a pay plan increase of 11 percent. The county portion increased only 6.2 percent. The increase does not represent new county agents, but rather a larger portion of each FTE being paid by the state.

Personal services increased by 24.2 percent. This increase results from: (1) shifting of 3.27 FTE's from the counties to the state; (2) vacancy savings has not been taken for fiscal years 1984 and 1985 (vacancy savings will reduce personal services amounts); and (3) an additional employer paid benefit of 1.3 percent for medicaid will be paid on all federal employees starting in fiscal 1983. Vacancy savings was approximately 5 percent in fiscal 1982. A 3 percent vacancy savings factor is recommended for fiscal years 1984 and 1985.

General fund increases by 9.8 percent. Most of this increase is accounted for by the increase in personal services. General fund will be reduced when vacancy savings is taken.

Out-of-state travel increased by 104 percent from fiscal 1981 to 1982. Travel expenditures for fiscal 1982 were reduced by 46 percent. This level of expenditure represents what the 1979 Legislature authorized for fiscal 1980 after allowing for inflation.

The extension service operates a multilith on a "designated" or revolving account. Publication expenditures attributable to the multilith were held constant for fiscal 1984 and 1985. Given their account balance at fiscal year-end 1982, no rate increase should be necessary during the 1985 biennium.

Issue 1: AGNET

AGNET is a computer based information system which provides analysis capabilities for many agricultural problems ranging from feed mix formulation for livestock to individual income tax planning. Also available to subscribing states is information loaded daily by the United States Department of Agriculture relating to the national and international futures market, current news releases of interest to farmers, ranchers and agribusiness, and pending agricultural legislation. The AGNET system consists of computer terminals located in county extension offices linked to a central computer located in Nebraska and to the state extension main office located at Montana State University in Bozeman.

Funding for the operation of AGNET was provided through grants by the Old West Regional Commission up to the end of the 1981 biennium. With the termination of this source of funding at fiscal year-end 1981, the legislature appropriated \$125,132 general fund, for slightly less than one-half the costs of AGNET in the 1983 biennium. The remainder of the costs were to be funded by program user fees. After the 1983 biennium, users were to gradually assume full financial responsibility for AGNET. Table 1 presents total AGNET funding for fiscal 1982 and projected AGNET funding at 50 percent for fiscal 1984 and 1985.

Table 1
AGNET Funding at Current Level

	Actual 1982	% of Total	Authorized -----Current Level-----		
			Fiscal 1984	Fiscal 1985	% of Total
General Fund	\$ 63,198	45	\$ 81,879	\$ 88,087	50
Designated (user fees)	46,505	33	81,879	88,087	50
Smith-Lever	<u>30,535</u>	<u>22</u>	<u>-0-</u>	<u>-0-</u>	<u>0</u>
Total	<u>\$140,238</u> =====	<u>100</u> ===	<u>\$163,758</u> =====	<u>\$176,174</u> =====	<u>100</u> ===

OPTIONS

Option a: Reduced User Fees (0 FTE)

This option, requested by the extension service, would replace \$60,489 of user fees with general fund for the 1985 biennium. During fiscal 1982 the Cooperative Extension Service budget amended \$41,938 of federal Smith-Lever funds to help cover the costs of operating AGNET due to a shortfall in the collection of user fees. The change in funding mix proposed in option (a), is presented in Table 2.

Table 2
AGNET Funding with Partial General Fund Replacement of User Fees

	Actual Fiscal 1982	% of Total	-----Option a-----		
			Fiscal 1984	Fiscal 1985	% of Total
General Fund	\$ 63,198	45	\$111,626	\$118,829	68
Designated (user fees)	46,505	33	52,132	57,345	32
Smith-Lever	<u>30,535</u>	<u>22</u>	<u>-0-</u>	<u>-0-</u>	<u>0</u>
Total	<u>\$140,238</u> =====	<u>100</u> ===	<u>\$163,758</u> =====	<u>\$176,174</u> =====	<u>100</u> ===

The general fund share increases from 45 percent in fiscal 1982 to 68 percent during the 1985 biennium as projected user fees fail to support half the cost of operating AGNET. The estimated level of user fees is the maximum the extension service believes can be collected. The additional general fund requested under this option is \$29,747 in fiscal 1984 and \$30,742 in fiscal 1985.

Option b: Discontinue General Fund Support of AGNET

In providing general fund support for AGNET, the 1981 Legislature expected AGNET to gradually become totally self-sufficient in the future through the collection of user fees. Table 3 below compares user statistics for four months of fiscal years 1981 and 1982.

Table 3
Number of Times Programs were Accessed for Four Months
of Fiscal Years 1981 and 1982

<u>Program</u>	<u>Fiscal 1981 (4 Months)</u>	<u>Fiscal 1982 (4 Months)</u>	<u>% Increase (Decrease)</u>
Mailbox	3,677	3,989	8.49
Markets	332	1,591	379.22
Newsrelease	499	1,658	232.26
Conference	<u>21</u>	<u>130</u>	<u>519.05</u>
Subtotal	4,529	7,368	62.68
All Other Programs	<u>5,782</u>	<u>3,391</u>	<u>(41.35)</u>
Total All Programs	10,311 =====	10,759 =====	4.34 =====

As indicated in Table 3, Mailbox, Markets, Newsrelease, and Conference account for all the increase in total program usage between fiscal 1981 and 1982 and nearly 70 percent of total use in the first four months of 1982. The Mailbox and Conference programs are used extensively by extension personnel for sending and receiving messages. The Newsrelease and Markets programs are utilized for transmitting current news releases and market reports to field extension offices.

The remainder of programs available on AGNET realized a 41.35 percent decrease in the number of times accessed. Most of the programs in this group are analytical. It appears agricultural users are not using the system as projected. The increase in program usage on AGNET is supported mainly by extension personnel. AGNET is being utilized more as a tool for communication than for its analytical capabilities.

The legislature may want to consider elimination of AGNET funding, as it is unlikely the program will become self-supporting and it appears the program is not being used as intended. Elimination of general fund support will save \$81,879 in fiscal 1984 and \$88,087 in fiscal 1985.

Issue 2: Weed Management (2.22 FTE)

The extension service is requesting general fund for a weed management program in the 1985 biennium. As proposed, this modified request would be part of a statewide weed management program aimed at bringing noxious weeds (i.e., leafy spurge; spotted knapweed; Canadian thistle; and wild oats) under control. The statewide plan called for the Agricultural Experiment Station to expand their current weed research program. They have a modified request in their budget asking for additional support. The plan also called for the state Department of Agriculture to provide a coordinating function (i.e., hire an individual to act as overall program coordinator) in bringing together all interested agencies and individuals and establishing and maintaining a unified, coordinated effort on weed control. The Department of Agriculture does not have a modified request in their budget that addresses the statewide weed management plan. The effectiveness of the statewide weed management proposal, and more specifically, the modified requests of the extension service and the Agricultural Experiment Station, is questionable without the participation of the state Department of Agriculture as specified in the plan.

According to the extension service, they currently have one weed specialist, paid from restricted and unrestricted funds, whose time is spent, 1) conducting training sessions for commercial weed applicators, 2) preparing news articles for the agricultural media, and 3) working with the Montana Weed Association. The extension service is requesting another weed specialist (1.22 FTE), to perform the following tasks (not inclusive):

(1) Prepare fact sheets and management guides to aid farmers, and other interested groups in controlling noxious weeds, (2) to aid in developing AGNET programs that will allow farmers to determine the costs and benefits involved in applying different control measures, and (3) to meet periodically with agricultural experiment station scientists to identify and discuss weed problems that need to be researched.

An extension weed technician (1.00 FTE), is also requested to work with cooperator farms in establishing and monitoring demonstration plots. It is questionable whether the extension service should be developing and monitoring demonstration plots. This is a function of the Agricultural Experiment Station in field-testing research results. The extension service contends that developing their own demonstration plots on cooperator farms is necessary in order to get farmers to adopt proven (i.e., field-tested) control measures.

The general fund cost of adding 2.22 FTE's is \$59,700 in fiscal 1984 and \$63,896 in fiscal 1985.

FORESTRY EXPERIMENT STATION

FORESTRY EXPERIMENT STATION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	21.70	\$1,384,149	\$1,384,149
LFA Current Level	<u>21.70</u>	<u>1,346,188</u>	<u>1,346,188</u>
Executive Over (Under) LFA	0.00	\$ 37,961	\$ 37,961
	====	=====	=====

The difference in total funds is due to the executive including \$62,895 more for equipment than what was included in the LFA current level. The LFA current level was higher in operating expenses by \$34,983 in the 1985 biennium. This amount is dispersed through several line items.

FORESTRY EXPERIMENT STATION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	18.36	21.70	21.70	21.70	8.3
<u>Fund Source</u>					
General Fund Approp.	<u>\$527,306</u>	<u>\$689,312</u>	<u>\$668,841</u>	<u>\$677,347</u>	<u>10.6</u>
Total Funds	<u>\$527,306</u> =====	<u>\$689,312</u> =====	<u>\$668,841</u> =====	<u>\$677,347</u> =====	<u>10.6</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$371,325	\$505,385	\$505,385	\$505,385	15.2
Operating Expenses	85,609	123,927	118,523	128,263	17.7
Equipment	<u>50,164</u>	<u>60,000</u>	<u>34,800</u>	<u>32,958</u>	<u>(38.4)</u>
Total Operating Costs.	<u>\$507,098</u>	<u>\$689,312</u>	<u>\$658,708</u>	<u>\$666,606</u>	<u>10.7</u>
Non-Operating Expend.	<u>20,208</u>	<u>-0-</u>	<u>10,133</u>	<u>10,741</u>	<u>3.3</u>
Total Expenditures	<u>\$527,306</u> =====	<u>\$689,312</u> =====	<u>\$668,841</u> =====	<u>\$677,347</u> =====	<u>10.6</u> =====

The Forestry Experiment Station is located at, and associated with, the University of Montana School of Forestry in Missoula. The primary mission of the station is to (not inclusive):

1. Study the forest and forest land resources of the state.
2. Study the growth and utilization of timber with special reference to improvement and widening of the markets available to the state.
3. Determine the relationship between forest and water conservation and waterflow regulation; forest and pasturage for domestic livestock and wildlife; forest and recreation and those other direct and indirect benefits that may be secured by the maintenance of or the establishment of forests or woodlands.

The Lubrecht Experimental Forest near Greenough serves as the field research station. The station encompasses approximately 24,000 acres, of which 7,000 acres are school trust lands administered by the Department of State Lands. A management plan is in the process of being drawn up

whereby 14,000 acres of the station will be dedicated to second growth management studies. The remainder of the Lubrecht Experimental Forest will be used for sustained yield forestry. The Lubrecht forest will serve as a model for development of the station's Mission Oriented Research Program (MORP), a modified request granted by the 47th Legislature for expanded research. Completion of the model is expected in the 1985 biennium.

General fund and renewable resource funds are the only source of funds appropriated to the Forestry Experiment Station by the legislature. In 1979, the legislature moved the station's budget out of the University of Montana budget and made it a separate line item.

The 1981 Legislature appropriated \$500,750 for expanded research in the 1983 biennium. The Forestry Experiment Station refers to the funded modified request as their Mission Oriented Research Program (MORP). The experiment station established the following objectives for the modified request:

1. To bring together existing inventory information on forest resources in Montana.
2. To develop measures of potential productivity of all resources with and without management.
3. To develop management regimes that will permit landowners to manage the land in such a way that potential productivity is maintained while achieving management objectives.

According to the experiment station, development of an inventory of Montana's forest resources is an ongoing process. The station indicated continual effort in developing and updating an inventory will be required. In fiscal 1982 and 1983, the station identified sources of timber inventory and yield data for all forest land ownerships in Montana. The station began assembling multi-source inventory data. The station also conducted a literature and records search on studies pertaining to the Lubrecht Experimental Forest and the Mission Oriented Research Program. Out of this effort the station discovered and prepared synoptic summaries of 144 past studies. In reference to the second and third objectives for the Mission Oriented Research Program, the station completed two productivity studies (one in fiscal 1982 and one in fiscal 1983), and installed a series of permanent plots in new thinning areas at Lubrecht.

The aforementioned activities are not inclusive of all projects undertaken in fiscal 1982 and 1983.

Current Level Adjustments

Total FTE increase 12.6 percent from the 1983 biennium. The increase in FTE is attributable to a modified request granted by the 1981 Legislature for expanded research in the 1983 biennium. The Forestry Experiment Station added 3.21 faculty FTE, .33 administrative FTE, and 1.54 graduate research assistant FTE to their staff in fiscal 1983.

The station had vacancy savings of approximately 3 percent in fiscal 1982. A 3 percent vacancy savings factor is recommended for fiscal years 1984 and 1985.

Total operating expenses increase 11.9 percent from the 1983 biennium. This results from second year (fiscal 1983) start-up costs of the modified request granted by the 1981 Legislature not being included in the fiscal 1982 appropriation. The legislature phased the experiment station into the modified request. Total expenditures related to the request would not be incurred until fiscal 1983.

COLLEGES AND UNIVERSITIES

COLLEGES AND UNIVERSITIES

	-----1985 Biennium-----	
	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	\$142,175,670	\$218,177,797
LFA Current Level	<u>138,504,792</u>	<u>219,395,357</u>
Executive Over (Under) LFA	\$ 3,670,878 =====	\$ (1,217,560) =====

The executive proposal differs from the LFA current level in several significant aspects. Table 1 below compares the dollars by budget program, funding source, and university unit.

COLLEGES AND UNIVERSITIES

Table 1
Executive - LFA Current Level Comparison
Colleges and Universities

Program	Executive	-----1985 Biennium-----	
		LFA Current Level	Executive over (under) LFA
Instruction	\$113,355,034	\$114,766,006	\$(1,410,972)
Research and Public Service	3,228,806	3,141,540 ¹	87,266
Support	65,911,100	67,551,611	(1,640,511)
Operation and Maintenance of Plant	30,849,007	28,865,690	1,983,317
Scholarships/Fellowships	4,833,850	5,070,510	(236,660)
Total	\$218,177,797	\$219,395,357	\$(1,217,560)
	=====	=====	=====
Revenue Source			
General Fund	\$142,175,670	\$138,504,792	\$ 3,670,878
Millage	27,628,122	27,708,000	(79,878)
Tuition and Fees	41,077,657	45,291,565	(4,213,908)
Indirect Costs	3,891,000	4,840,000	(949,000)
Other	3,405,348	3,051,000	354,348
Total	\$218,177,797	\$219,395,357	\$(1,217,560)
	=====	=====	=====
University Unit			
Montana State University	\$ 87,236,008	\$ 87,042,005	\$ 194,003
University of Montana	66,667,432	67,300,439	(633,007)
Eastern Montana College	25,424,960	25,765,572	(340,612)
Northern Montana College	13,074,017	13,273,380	(199,363)
Western Montana College	6,793,358	7,134,272	(340,914)
Montana Tech	18,982,022	18,879,689	102,333
Total	\$218,177,797	\$219,395,357	\$(1,217,560)
	=====	=====	=====

¹Includes 15 percent of indirect cost revenues.

The table indicates that while the total expenditures are very similar under executive and current level, there are substantial differences in funding sources and programatic expenditures. In the enrollment-based

instruction and support programs, the executive budget is less because the executive funded instruction at 95 percent of formula levels and support at 90 percent of formula levels. The LFA continues both at current level which is 100 percent of formula in instruction and 97 percent of formula in support as set for fiscal 1983 by the 1981 Legislature. The disparity resulting from the executive reduction would have been larger than the \$2 million dollars for the program except the LFA current level is based on lower enrollments. These differing enrollments are summarized in Table 2.

Table 2
Budgeted Enrollments

	<u>Executive</u>	<u>Current Level</u>	<u>Executive Over (Under) Current Level</u>
Fiscal 1984	27,058	26,816	242
Fiscal 1985	27,312	26,590	722

The differing budgets for operation and maintenance of physical plants result partially from cost estimates for new facilities. The LFA current level provides \$604,778 for new facilities while the executive allows \$1,241,802, a difference of \$637,024. The lower LFA figure is based on different completion dates of projects, differing maintenance cost factors and auxilliary funding of the student union building at MSU. The LFA current level also is based upon removal of budget amended expenditures from the operation and maintenance of plant base used to project fiscal 1984-85.

Tuition and fee revenue estimates for the LFA current level are \$4.2 million over the executive as LFA sets tuition and fee levels at the average of the peers. This requires in-state tuition increases of \$102 in fiscal 1984 and \$51 in fiscal 1985 and out-of-state increases of \$282 in fiscal 1984 and \$123 in fiscal 1985. The executive uses \$36 per student per year increases in in-state and \$72 per student per year increases for out-of-state students.

COLLEGES AND UNIVERSITIES

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
<u>Fund Source</u>					
General Fund	\$57,275,390 ¹	\$64,733,574	\$ 69,070,472	\$ 69,434,320	13.5
Other Funds	<u>32,589,129</u>	<u>34,322,387</u>	<u>39,422,833</u>	<u>41,467,732</u>	<u>20.9</u>
Total Funds	<u>\$89,864,519</u>	<u>\$99,055,961</u>	<u>\$108,493,305</u>	<u>\$110,902,052</u>	<u>16.1</u>
<u>Expenditures by Unit</u>					
Montana State Univ.	\$35,956,374	\$39,788,138	\$ 43,192,061	\$ 43,849,944	14.9
Univ. of Montana	29,318,659	32,510,974	33,488,672	33,811,767	8.8
Eastern MT College	10,572,613	11,028,005	12,714,452	13,051,120	19.3
Northern MT College	5,002,875	5,476,989	6,561,967	6,711,413	26.7
Western MT College	2,909,252	3,157,352	3,540,504	3,593,768	17.6
Montana College of Mineral Science and Technology	<u>6,104,746</u>	<u>7,094,503</u>	<u>8,995,649</u>	<u>9,884,040</u>	<u>43.0</u>
Total Expenditures	<u>\$89,864,519</u>	<u>\$99,055,961</u>	<u>\$108,493,305</u>	<u>\$110,902,052</u>	<u>16.1</u>

¹Includes millage supplemental appropriation \$226,056

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Increase Support to 100 Percent of Peers	\$1,030,681	\$ -0-	\$1,049,988	\$ -0-
2. Regents' Tuition Level	\$1,503,243	\$(1,503,243)	\$3,031,939	\$(3,031,939)
3. Washington Library Network				
Option a.	\$ 884,200	\$ -0-	\$ 409,500	\$ -0-
Option b.	175,450	-0-	177,550	-0-
4. Computer Hardware	\$ 672,650	\$ -0-	\$1,086,200	\$ -0-
5. Reduce Support to 94 Percent of Peers	\$(1,030,681)	\$ -0-	\$(1,049,988)	\$ -0-

In addition to the flat rate funds, schools with large numbers of part-time students receive an additional amount, called high head-count adjustment. This recognizes that their work load is not accurately measured by their FTE enrollment. The support rates for fiscal 1982 and 1983 were set at 90 percent and 97 percent, respectively, of the peer group average. The 97 percent rate is continued in the current level. An issue, presented later, offers the option to increase this rate to 100 percent of the peers. Table 3 lists support ratio and high head-count adjustments.

Table 3
Support Budget Factors

<u>Unit</u>	<u>Support Rate Per FY-FTE</u>		<u>-----High Head Count-----</u>	
	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>Adjustment</u> <u>Fiscal 1984</u>	<u>Fiscal 1985</u>
MSU	\$1,227	\$1,259	\$ -0-	\$ -0-
UM	1,227	1,259	45,233	44,075
EMC	1,219	1,250	67,929	67,929
NMC	1,219	1,250	-0-	-0-
WMC	1,219	1,250	-0-	-0-
McMST	1,449	1,487	24,670	26,796

Operation and Maintenance of Physical Plants

The budget for physical plants reflects inflation adjustments to the base year actual expenditures and allowance for new facilities added since last session or anticipated to be completed during the 1985 biennium. Expenditures made with budget amended funds are removed from the base prior to projection into fiscal 1984 and 1985. Table 4 lists the amount allowed for new facilities at each of the colleges and universities.

Table 4
New Facility Budget Allowances

<u>Unit</u>	<u>-----New Space Allowance-----</u>	
	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
MSU	\$142,485	\$218,776
UM	15,045	138,252
EMC	42,075	48,345

Research, Public Service, and Indirect Cost Allowance

These services are budgeted incrementally. Allowances are made for cost increases from the base year. The base year expenditures are adjusted to remove budget amended expenditures. Expenditures from the indirect cost allowance are removed from base year research and public service as this allowance is separately estimated based upon anticipated indirect cost revenues.

The indirect cost allowance is equal to 15 percent of estimated indirect cost reimbursements. In each of fiscal 1984 and 1985, we anticipate \$363,000 of indirect cost allowances based on anticipation of \$2,420,000 per year in indirect cost reimbursements. The allowance is a set aside of this amount for the unit's discretionary allocation. In the current biennium, the bulk of these funds was used to support research activities.

Scholarships and Fellowships

These are waivers of fees to selected students. These are budgeted as 18.45 percent of projected out-of-state and 5.75 percent of in-state registration and incidental fees. In addition, amounts are allowed for mandatory fee waivers. Mandatory fee waivers are granted to eligible individuals listed in Table 5.

Table 5
Recipients of Mandatory Fee Waivers

Indian Students
Veterans
War Orphans
Prisoners of War
Senior Citizens
Custodial Students
High School Honor Scholarship
Community College Honor
National Merit

The budgeted funds for scholarships and fellowships are allocated to each college or university based upon previous shares of system-wide allocations for this purpose.

Revenues

The college and university budgets are funded by general fund appropriation, student tuition and fees, proceeds from the 6 mill statewide property tax levy, indirect cost reimbursements, land grant income, and various other minor revenue sources. Table 6 summarizes projected revenues by source for fiscal 1984 and 1985.

Table 6
Revenue Summary

<u>Source</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
General Fund	\$ 69,070,472	\$ 69,434,320
Millage	13,578,000	14,130,000
Tuition and Fees	21,906,833	23,384,732
Indirect Costs	2,420,000	2,420,000
Land Grants	910,000	910,000
Miscellaneous	608,000	623,000
Total	\$108,493,305 =====	\$110,902,052 =====

Tuition and fee revenues are estimated based upon similar charges at the peer colleges and universities. In fiscal 1983, Montana had fallen behind the peer schools; the shortfall was approximately 8 percent at MSU and UM. The above figures are based upon catching up the 8 percent lag and anticipation of 6 percent per year increases in the peer average in each of fiscal 1984 and 1985. Table 7 illustrates the current level changes in tuition and fee rates.

Table 7
Actual and Projected Tuition and Fee Rates Per Academic Year

Unit	-----In-State-----			-----Out-of-State-----		
	1983	1984	1985	1983	1984	1985
MSU	477	579	630	1,845	2,127	2,250
UM	477	579	630	1,845	2,127	2,250
EMC	477	579	630	1,485	1,587	1,674
NMC	477	579	630	1,485	1,587	1,674
WMC	477	579	630	1,485	1,587	1,674
MCMST	477	579	630	1,845	2,127	2,250

Under the above tuition rates, an in-state student in fiscal 1985 would pay less than 15 percent of the average cost of education, excluding capital construction, while an out-of-state student would pay slightly over one-half the cost. The actual percentages depend on the employee pay increases granted.

Issue 1: Increase Support to 100 Percent of Peers

The 1981 Legislature set the fiscal 1983 support rate per FTE at 97 percent of the peer average. This rate was continued in the current level analysis. Increasing support to 100 percent of the peer average would add \$1,030,681 in fiscal 1984 and \$1,049,988 in fiscal 1985 to the general fund cost of the colleges and universities.

Issue 2: Regents' Tuition Level

In December, the Board of Regents adopted a schedule of tuition and fees for fiscal 1983. They did not adopt schedules for fiscal 1984. The

rates adopted by the regents are compared to LFA current level rates in Table 8.

Table 8
Regent Tuition Schedule Compared to LFA Current Level

Units	-----In-State-----			-----Out-of-State-----		
	Regents Over (Under)			Regents Over (Under)		
	LFA Current Level			LFA Current Level		
	Regents	1984	1985	Regents	1984	1985
MSU	531	(48)	(99)	2,007	(120)	(243)
UM	531	(48)	(99)	2,007	(120)	(243)
EMC	531	(48)	(99)	1,647	60	(27)
NMC	531	(48)	(99)	1,647	60	(27)
WMC	531	(48)	(99)	1,647	60	(27)
MCMST	531	(48)	(99)	2,007	(120)	(243)

The rates proposed by the Board of Regents would set tuition at 94 percent of the peers in fiscal 1984 and 88 percent of the peers in fiscal 1985. These schedules would increase the general fund cost of colleges and universities by \$1,503,243 in fiscal 1984 and \$3,031,939 in fiscal 1985 to maintain current level.

The setting of tuition rates is under the authority of the Board of Regents. The legislature lacks authority to directly set the rates. However, the legislature is the authority for appropriating funds. If the legislature wishes to appropriate general fund to university units based upon the expectation of higher tuition rates, the Board of Regents would be faced with the option of operating the units at lower than appropriated levels or increasing tuition.

Issue 3: Washington Library Network

The colleges and universities are requesting \$1.3 million in the biennium for membership in the Washington Library Network and expansion in library holdings. In the 1981 legislative session, the units requested and were granted funds for membership in this network. At that time, it was indicated that, after first year start-up, costs of this membership would drop to \$146,458 per year--the fiscal 1983 appropriated level. The current

request is to spend over \$400,000 per year with another \$457,800 earmarked for book acquisition. Table 9 compares the fiscal 1983 appropriated level with requested fiscal 1984 and 1985 amounts.

Table 9
Washington Library Network

<u>Unit</u>	<u>Appropriated Fiscal 1983</u>	<u>-----Requested-----</u>	
		<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
MSU	\$ 40,670	\$ 96,500	\$ 96,500
UM	34,200	212,600	197,600
EMC	19,280	49,500	43,000
NMC	21,168	25,000	25,000
WMC	15,540	19,700	19,700
MCMST	15,600	23,100	27,700
Acquisitions	<u>-0-</u>	<u>457,800</u>	<u>-0-</u>
Total	\$146,458	\$884,200	\$409,500

In fiscal 1982, the college and university libraries increased acquisitions to over \$1.65 million, more than \$.5 million higher than fiscal 1982. As appropriations for support increase in fiscal 1983 from 90 percent of the peer level to 97 percent, there should be another substantial increase in acquisition in fiscal 1983. In the LFA current level, the fiscal 1983 level is continued into fiscal 1984 and 1985.

The LFA current level incorporates WLN costs into the formula generated support.

OPTIONS

Option a: Appropriate the \$1,293,700 general fund requested for Washington Library Network operations and book acquisition.

Option b: Appropriate inflationary adjustment to fiscal 1983 WLN made for fiscal 1983. This would cost \$175,450 in fiscal 1984 and \$177,550 in fiscal 1985.

Option c: Make no special adjustments or appropriations for Washington Library Network. This would require the colleges and universities to determine their priorities in regard to use of support funds and set the amount they are willing to allocate to this function.

Issue 4: Computer Equipment

The university system is requesting \$1,758,850 for computer equipment in the 1985 biennium. These requests are summarized in Table 9.

Table 9
Computer Equipment Requests

<u>Unit</u>	-----Requested-----	
	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
MSU	\$200,000	\$ 100,000
UM	346,000	198,200
NMC	-0-	550,000
WMC	32,650	-0-
MCMST	<u>94,000</u>	<u>238,000</u>
Total	\$672,650 =====	\$1,086,200 =====

In the current biennium \$900,000 was appropriated for computer equipment purchases at the University of Montana, Eastern Montana College, and Montana College of Mineral Science and Technology.

Campus computer centers operate as self-supporting operations from designated (revolving) funds at each of the campuses. To the extent services are used by the various programs of a university, the using program or department is charged for services. A portion of the computer use is related to federal or private funded work, and, therefore, costs are charged against the federal or private fund making use of services. Because of the use by other than current unrestricted fund programs, the legislature may want to consider arrangements that would require other users to pay the full cost of service, including capital equipment. Such a method may involve appropriating only a portion of the cost of equipment. The portion could be based on use of computer resources. Another method may be to loan funds to the designated fund to purchase the equipment. The loan would be repaid from charges to all users.

In a study performed by this office in fiscal 1982, over \$5 million of unrestricted plant fund balances were identified at the university units. Plant funds consist of those financial resources received by the colleges

and universities for capital outlay or to retire long-term debts associated with construction projects. As a result of this study, the Legislative Finance Committee requested each unit to submit estimates of revenues and use or availability of these funds in the next biennium. The legislature may want to appropriate funds for these major equipment purchases from these unrestricted plant funds.

OPTIONS

Option a: Appropriate \$1,758,850 general fund for the purchase of computer equipment.

Option b: Appropriate \$1,758,850 of unrestricted university plant funds for purchase of this equipment.

Option c: Appropriate a loan of either general fund or unrestricted plant funds for the purchase with stipulation that loan be repaid from user charges in a specified time frame.

Issue 5: Reduce Support to 94 Percent of Peers

The 1981 Legislature set the fiscal 1983 support rate at 97 percent of the peers. However, as enrollments will exceed that estimated at the time of the legislative session the actual rate will be slightly below 94 percent. Continuation of support at 94 percent would leave in place of the substantial increases granted to the colleges and universities in fiscal 1982 and 1983, but would only allow inflationary increases in fiscal 1984 and 1985. The 94 percent level is comparable to the tuition and fee level set by the Board of Regents for fiscal 1984. The change would reduce general fund costs by \$1,030,681 in fiscal 1984 and \$1,049,988 in fiscal 1984.

H U M A N S E R V I C E S

DEPARTMENT OF LABOR AND INDUSTRY

The Department of Labor and Industry acts as an employment agency, administers unemployment insurance and workers' compensation, enforces collective bargaining and other labor laws, and protects individuals from discriminatory practices. Services are provided through three state agencies: Department of Labor and Industry, Employment Security and Workers' Compensation.

During the current biennium, Centralized Services and Employment and Training Programs in the Department of Labor and Industry were merged into the Employment Security Division. This move also transfers responsibility for administering CETA grants to Employment Security. In addition, the audit functions from the Administration Program in Workers' Compensation was transferred to Employment Security. This reorganization provides for a single Centralized Services Program in the Employment Security Division that will serve all agencies in the department.

The Department of Labor and Industry now consists of the Commissioner's Office, Labor Standards, Personnel Appeals, and Human Rights.

The Employment Security Division consists of job service, unemployment insurance, centralized services, and CETA grants.

Workers' Compensation consists of an administration program, state insurance fund, insurance compliance, and safety and health.

Major issues facing the 1983 session include the federal government executive proposal to substantially reduce funding for job service. The estimated impact of this proposal is the closure of approximately 18 of the state's current 24 employment offices. Also, the department has projected a \$22 million deficit in the state's unemployment insurance fund by the end of the 1985 biennium under current regulations and statutes. The department has proposed increasing the tax base subject to premiums and reducing benefits to compensate for the projected deficit.

DEPARTMENT OF LABOR AND INDUSTRY

DEPARTMENT OF LABOR AND INDUSTRY

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	36.50	\$2,115,116	\$2,797,788
LFA Current Level	<u>32.75</u>	<u>1,834,770</u>	<u>2,521,295</u>
Executive Over (Under) LFA	3.75	\$ 280,346	\$ 276,493
	====	=====	=====

The executive budget includes 3.75 FTE more than the LFA analysis. This difference is due to a reduction of 2 FTE from current level because these positions were not filled. In addition, there is a net increase of 1.75 positions included in the executive budget, which result from deleting a 1.0 FTE attorney and adding 2.75 other FTE.

The executive budget includes \$280,346 more general fund over the biennium than current level. This difference is (1) \$139,000 due to the difference in FTE, (2) \$8,300 due to differences in funding for the Director's Program and the Central Services Program, and (3) the executive request for operating expenses exceeds this analysis by \$137,800.

DEPARTMENT OF LABOR AND INDUSTRY

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	35.09	36.00	32.75	32.75	(7.9)
<u>Fund Source</u>					
General Fund Approp.	\$ 836,568	\$ 962,203	\$ 910,813	\$ 923,957	(3.6)
Other Funds Approp.	149,899	131,519	339,420	347,105	143.9
Funds Budget Amended	144,145	164,231	-0-	-0-	(100.0)
Other Funds Non-App.	<u>6,000</u>	<u>6,480</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,136,612</u>	<u>\$1,264,433</u>	<u>\$1,250,233</u>	<u>\$1,271,062</u>	<u>5.0</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 819,427	\$ 934,198	\$ 912,026	\$ 910,807	3.9
Operating Expenses	144,071	177,238	193,692	206,629	24.6
Equipment	<u>1,123</u>	<u>1,800</u>	<u>1,674</u>	<u>2,543</u>	<u>44.3</u>
Total Operating Costs	\$ 964,621	\$1,113,236	\$1,107,392	\$1,119,979	7.2
Non-Operating Expend.	<u>171,991</u>	<u>151,197</u>	<u>142,841</u>	<u>151,083</u>	<u>(9.1)</u>
Total Expenditures	<u>\$1,136,612</u>	<u>\$1,264,433</u>	<u>\$1,250,233</u>	<u>\$1,271,062</u>	<u>5.0</u>

The Department of Labor and Industry, under direction of the Commissioner of Labor and Industry, provides services through the Labor Standards Division, Personnel Appeals Division, and the Human Rights Division. These divisions are discussed in the following sections.

LABOR STANDARDS DIVISION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	14.75	16.00	13.75	13.75	(10.5)
<u>Fund Source</u>					
General Fund Approp.	\$367,305	\$446,869	\$395,847	\$405,028	(1.6)
Other Funds Approp.	66,707	31,582	88,865	89,865	81.8
Other Funds Non-Approp.	<u>6,000</u>	<u>6,480</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$440,012 =====	\$484,931 =====	\$484,712 =====	\$494,893 =====	5.9 ===
<u>Expenditures by Object</u>					
Personal Services	\$314,321	\$357,239	\$343,068	\$342,615	2.1
Operating Expenses	54,053	69,856	79,025	84,553	32.0
Equipment	<u>1,123</u>	<u>1,800</u>	<u>-0-</u>	<u>1,500</u>	<u>(48.7)</u>
Total Operating Costs	\$369,497	\$428,895	\$422,093	\$428,668	6.6
Non-Operating Expnd.	<u>70,515</u>	<u>56,036</u>	<u>62,619</u>	<u>66,225</u>	<u>1.8</u>
Total Expenditures	\$440,012 =====	\$484,931 =====	\$484,712 =====	\$494,893 =====	5.9 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Eliminate the Apprenticeship Bureau	\$(57,000)	\$(55,000)	\$(57,000)	\$(55,000)

The Labor Standards Division enforces state labor laws including minimum wage and hour laws and child labor laws. On-the-job training is also provided through the Apprenticeship Bureau.

Current Level Adjustments

Personal services is reduced 1.00 FTE for a compliance officer position never filled the entire year. Communications expense is increased \$8,299, rent expense is increased \$8,355, and maintenance expense is increased \$1,254 to reflect expense previously paid through transfer to Centralized Services. These expenses will now be paid directly by the program.

All other expenses are held at current level.

Equipment expense is budgeted at \$1,500 in fiscal 1985 for the purchase of a recorder used in administrative hearings.

Issue 1: Eliminate the Apprenticeship Bureau

The Governor's Council on Management has recommended that the Apprenticeship Bureau be eliminated due to lack of interest on the part of the private sector. The council argues that while 750 employers are registered for the program, only 415 have active apprenticeship or on-the-job training programs. They feel this training could just as easily be provided through private sector efforts. According to council estimates, eliminating the program would result in a reduction of five FTE and provide savings of \$57,000 for the state and \$55,000 for the federal government annually. The following table shows that there has been a steady decline in the number of registrations with the bureau since fiscal 1978.

Table 1
Apprenticeship Bureau Registrations

<u>Registered</u>	<u>FY '78</u>	<u>FY '79</u>	<u>FY '80</u>	<u>FY '81</u>	<u>FY '82</u>
New Apprentices	760	754	639	478	478
Total Apprentices	1,765	1,829	1,794	1,670	1,422
New OJT Trainees	212	195	112	93	64
Total OJT Trainees	<u>365</u>	<u>347</u>	<u>290</u>	<u>271</u>	<u>173</u>
Total registrations	2,130 =====	2,176 =====	2,084 =====	1,941 =====	1,595 =====

OPTIONS

Option a: Eliminate the Apprenticeship Bureau saving \$57,000 in state funds and \$55,000 in federal funds annually.

Option b: Do not eliminate the Apprenticeship Bureau.

Option c: Do not eliminate the bureau but reduce staffing to reflect reduced case load.

COMMISSIONER OF LABOR AND INDUSTRY

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	3.34	3.00	3.00	3.00	(5.4)
<u>Fund Source</u>					
Other Funds Approp.	\$ -0-	\$ -0-	\$152,360	\$153,633	N/A
Funds Budget Amended	<u>144,145</u>	<u>164,231</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$144,145</u> =====	<u>\$164,231</u> =====	<u>\$152,360</u> =====	<u>\$153,633</u> =====	<u>(0.8)</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$113,748	\$130,319	\$127,413	\$127,235	4.3
Operating Expenses	<u>5,681</u>	<u>5,712</u>	<u>6,196</u>	<u>6,522</u>	<u>11.6</u>
Total Operating Costs	\$119,429	\$136,031	\$133,609	\$133,757	4.7
Non-Operating Expend.	<u>24,716</u>	<u>28,200</u>	<u>18,751</u>	<u>19,876</u>	<u>(27.0)</u>
Total Expenditures	<u>\$144,145</u> =====	<u>\$164,231</u> =====	<u>\$152,360</u> =====	<u>\$153,633</u> =====	<u>5.2</u> =====

The Commissioner's Office supervises claims investigations, veterans' employment, and unemployment appeals sections.

Current Level Adjustments

Funding is provided for the department director, the deputy commissioner, and a secretary. A .34 FTE employment interviewer position added by budget amendment during the biennium has been deleted. Other expenditures are maintained at current level. The Commissioner's Office is funded through a revolving account by charging other bureaus in the department based on a cost allocation plan.

HUMAN RIGHTS

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	8.00	8.00	7.00	7.00	(12.5)
<u>Fund Source</u>					
General Fund Approp.	\$129,953	\$148,827	\$145,008	\$142,802	3.2
Other Funds Approp.	<u>78,454</u>	<u>85,456</u>	<u>90,195</u>	<u>95,607</u>	<u>13.4</u>
Total Funds	<u>\$208,407</u>	<u>\$234,283</u>	<u>\$235,203</u>	<u>\$238,409</u>	<u>7.0</u>
<u>Expenditures by Object</u>					
Personal Services	\$149,791	\$176,208	\$168,910	\$168,699	3.6
Operating Expenses	37,015	50,470	46,930	49,990	10.8
Equipment	<u>-0-</u>	<u>-0-</u>	<u>1,674</u>	<u>1,043</u>	<u>N/A</u>
Total Operating Costs	\$186,806	\$226,678	\$217,514	\$219,732	5.7
Non-Operating Expend.	<u>21,601</u>	<u>7,605</u>	<u>17,689</u>	<u>18,677</u>	<u>24.5</u>
Total Expenditures	<u>\$208,407</u>	<u>\$234,283</u>	<u>\$235,203</u>	<u>\$238,409</u>	<u>7.0</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Eliminate Attorney Position	\$(13,000)	\$ -0-	\$(13,000)	\$ -0-

The Human Rights Commission, started in 1974, is charged with protecting Montana citizens from discrimination in employment. The division investigates complaints of discrimination based on race, creed, religion, color, sex, physical or mental handicap, age, national origin, marital status, or political beliefs.

Current Level Adjustments

Personal services has been reduced by 1.00 FTE for a secretarial position unfilled the entire year. Actual vacancy savings in fiscal 1982

was 11.0 percent; vacancy savings of 3.5 percent is recommended for the 1985 biennium. Communications expense is increased \$3,287 and rent expense is increased \$2,860 for costs that will now be paid directly by the program that were previously transferred to centralized services. All other expenses have been left at current level.

Equipment expense is budgeted at \$1,679 in fiscal 1984 and \$1,043 in fiscal 1985, in order to allow the program to purchase two new typewriters.

The Human Rights Program is funded with general fund and federal labor and industry funds. The general fund percent of program cost was 38 percent in fiscal 1981. The 1983 biennium was budgeted at the same ratio. We have continued this practice in the coming biennium.

Issue 1: Eliminate Attorney Position

The Governor's Council on Management has recommended eliminating the attorney position in the Human Rights Division and transferring legal responsibilities to the Attorney General's Office on a contractual basis. We would suggest first determining the extent to which the Attorney General's Office is capable of assuming the increased work load. Anticipated contracting costs are \$15,000 annually whereas the estimated salary savings is \$28,000 annually.

OPTIONS

Option a: Eliminate the attorney position, reducing general fund expenditures \$13,000 annually over the biennium.

Option b: Retain the position in the Human Rights Division.

PERSONNEL APPEALS DIVISION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	9.00	9.00	9.00	9.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$339,310	\$366,507	\$369,958	\$376,127	5.7
Other Funds Approp.	<u>4,738</u>	<u>14,481</u>	<u>8,000</u>	<u>8,000</u>	(16.7)
Total Funds	\$344,048 =====	\$380,988 =====	\$377,958 =====	\$384,127 =====	5.1 ===
<u>Expenditures by Object</u>					
Personal Services	\$241,567	\$270,432	\$272,635	\$272,258	6.4
Operating Expenses	<u>47,322</u>	<u>51,200</u>	<u>61,541</u>	<u>65,564</u>	29.0
Total Operating Costs	\$288,889	\$321,632	\$334,176	\$337,822	10.0
Non-Operating Expend.	<u>55,159</u>	<u>59,356</u>	<u>43,782</u>	<u>46,305</u>	(21.3)
Total Expenditures	\$344,048 =====	\$380,988 =====	\$377,958 =====	\$384,127 =====	5.1 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Eliminate the Grievance and Appeals Officer Position	\$(21,000)	\$ -0-	\$(21,000)	\$ -0-

The Personnel Appeals Program is responsible for negotiating labor-management relations and employee classification appeals in the public sector. Labor-management relation responsibilities include conducting representation elections, mediation and fact finding, and grievance arbitration for highway and fish, wildlife, and parks employees.

Current Level Adjustments

Personal services are maintained at fiscal 1982 levels of 9.00 FTE. Actual fiscal 1982 vacancy savings was 1.2 percent; a 3.5 percent vacancy savings is recommended for the 1985 biennium. Communications expense is

increased \$4,552, rent expense is increased \$4,484, and maintenance expense is increased \$1,254 for costs previously transferred to centralized services, but now paid directly by the program. Other expense is reduced \$1,824 reflecting reduced subscriptions. There is no equipment expense budgeted for the 1985 biennium.

Issue 1: Eliminate Grievance and Appeals Officer Position

The following table provides an indication of the total case load handled by the Personnel Appeals Division over the past three fiscal years and projections of future case loads.

Table 2
Personnel Appeals Case Load

	Actual FY '80	Actual FY '81	Actual FY '82	Est. FY '83	Est. FY '84	Est. FY '85
Representation Elections	47	43	26	35	30	35
Mediations	58	59	54	50	52	50
Fact Findings	20	22	8	13	10	10
Grievance Arbitrations	35	36	32	35	33	35
Unfair Labor Practices	43	42	39	40	40	40
Classification Appeals (received)	67	20	13	13	13	13
Classification Appeals (hearings conducted)	<u>28</u>	<u>28</u>	<u>33</u>	<u>15</u>	<u>13</u>	<u>13</u>
Total Activities	298 ===	250 ===	205 ===	201 ===	191 ===	196 ===

The table shows that while overall activity has been declining, a major contributor to this decline has been the area of classification appeals. Eliminating the grievance and appeals officer position may be warranted in light of this case reduction. This is especially true considering that in the past, approximately one-third of the classification appeals case load has been carried by the five labor mediation positions. Because this program is almost entirely general fund, any reduction would be a reduction in general fund.

PERSONNEL APPEALS DIVISION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	9.00	9.00	9.00	9.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$339,310	\$366,507	\$369,958	\$376,127	5.7
Other Funds Approp.	<u>4,738</u>	<u>14,481</u>	<u>8,000</u>	<u>8,000</u>	(16.7)
Total Funds	\$344,048 =====	\$380,988 =====	\$377,958 =====	\$384,127 =====	5.1 ===
<u>Expenditures by Object</u>					
Personal Services	\$241,567	\$270,432	\$272,635	\$272,258	6.4
Operating Expenses	<u>47,322</u>	<u>51,200</u>	<u>61,541</u>	<u>65,564</u>	<u>29.0</u>
Total Operating Costs	\$288,889	\$321,632	\$334,176	\$337,822	10.0
Non-Operating Expend.	<u>55,159</u>	<u>59,356</u>	<u>43,782</u>	<u>46,305</u>	(21.3)
Total Expenditures	\$344,048 =====	\$380,988 =====	\$377,958 =====	\$384,127 =====	5.1 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Eliminate the Grievance and Appeals Officer Position	\$(21,000)	\$ -0-	\$(21,000)	\$ -0-

The Personnel Appeals Program is responsible for negotiating labor-management relations and employee classification appeals in the public sector. Labor-management relation responsibilities include conducting representation elections, mediation and fact finding, and grievance arbitration for highway and fish, wildlife, and parks employees.

Current Level Adjustments

Personal services are maintained at fiscal 1982 levels of 9.00 FTE. Actual fiscal 1982 vacancy savings was 1.2 percent; a 3.5 percent vacancy savings is recommended for the 1985 biennium. Communications expense is

increased \$4,552, rent expense is increased \$4,484, and maintenance expense is increased \$1,254 for costs previously transferred to centralized services, but now paid directly by the program. Other expense is reduced \$1,824 reflecting reduced subscriptions. There is no equipment expense budgeted for the 1985 biennium.

Issue 1: Eliminate Grievance and Appeals Officer Position

The following table provides an indication of the total case load handled by the Personnel Appeals Division over the past three fiscal years and projections of future case loads.

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Personnel Appeals Case Load

	Actual FY '80	Actual FY '81	Actual FY '82	Est. FY '83	Est. FY '84	Est. FY '85
Representation Elections	47	43	26	35	30	35
Mediations	58	59	54	50	52	50
Fact Findings	20	22	8	13	10	10
Grievance Arbitrations	35	36	32	35	33	35
Unfair Labor Practices	43	42	39	40	40	40
Classification Appeals (received)	67	20	13	13	13	13
Classification Appeals (hearings conducted)	<u>28</u>	<u>28</u>	<u>33</u>	<u>15</u>	<u>13</u>	<u>13</u>
Total Activities	298 ===	250 ===	205 ===	201 ===	191 ===	196 ===

The table shows that while overall activity has been declining, a major contributor to this decline has been the area of classification appeals. Eliminating the grievance and appeals officer position may be warranted in light of this case reduction. This is especially true considering that in the past, approximately one-third of the classification appeals case load has been carried by the five labor mediation positions. Because this program is almost entirely general fund, any reduction would be a reduction in general fund.

OPTIONS

Option a: Eliminate the grievance and appeals officer position, reducing general fund \$21,000 annually in the 1985 biennium.

Option b: Retain the position.

EMPLOYMENT SECURITY DIVISION

EMPLOYMENT SECURITY DIVISION

	-----1985 Biennium-----		
	FTE FY '85	General Fund	Total Funds
Executive Budget	433.15	\$ -0-	\$58,790,172
LFA Current Level	<u>615.90</u>	<u>-0-</u>	<u>67,792,667</u>
Executive Over (Under) LFA	(182.75) =====	\$ -0- =====	\$(9,002,495) =====

The executive budget request is approximately \$9 million less than current level, with a reduction of 182.75 FTE. These reductions are directly attributable to the executive's assumption that the president's proposal to substantially reduce funding for job services will pass Congress.

The department estimates that only seven of the current 24 job service offices would remain open if the president's request does pass.

This analysis assumes that the federal funds currently available to this program will remain at the current level.

EMPLOYMENT SECURITY DIVISION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	626.94	614.40	615.90	615.90	(0.7)
<u>Fund Source</u>					
Other Funds Approp.	\$13,138,900	\$17,401,568	\$33,592,986	\$34,199,681	121.9
Other Funds Non-App.	<u>4,293,552</u>	<u>254,954</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$17,432,452</u>	<u>\$17,656,522</u>	<u>\$33,592,986</u>	<u>\$34,199,681</u>	<u>93.2</u>
	=====	=====	=====	=====	=====
<u>Expenditures by Object</u>					
Personal Services	\$10,515,280	\$13,291,543	\$13,752,608	\$13,722,628	15.4
Operating Expenses	2,156,199	3,814,783	3,178,749	3,475,640	11.4
Equipment	<u>235,229</u>	<u>295,242</u>	<u>706,735</u>	<u>823,711</u>	<u>188.5</u>
Total Operating Costs	\$12,906,708	\$17,401,568	\$17,638,092	\$18,021,979	17.6
Non-Operating Expend.	<u>4,525,744</u>	<u>254,954</u>	<u>15,954,894</u>	<u>16,177,702</u>	<u>572.1</u>
Total Expenditures	<u>\$17,432,452</u>	<u>\$17,656,522</u>	<u>\$33,592,986</u>	<u>\$34,199,681</u>	<u>93.2</u>
	=====	=====	=====	=====	=====

During the current biennium the Employment Security Division underwent substantial reorganization by incorporating the Centralized Services Program and the Employment and Training Program from the Department of Labor and Industry into the division. In addition, the Audit Bureau in the Worker's Compensation Division will be incorporated into the division at the beginning of fiscal 1984.

The division now includes a Job Service and Training Program, an Unemployment Insurance Program, and a Centralized Services Program. Major responsibilities include collecting and disbursing state unemployment contributions, acting as an employment agency, providing training, and overseeing CETA grants.

Current Level Adjustments

The nonoperating expenses show a substantial increase between fiscal 1983 and fiscal 1984. This is due to the inclusion of CETA grants in the budget. In the past, these funds were not appropriated, but will be appropriated with the new treasury fund structure.

Personal service adjustments reflect the addition of the two programs from the Department of Labor and Industry, addition of the Audit Bureau from Worker's Compensation, and position reductions which relate to job service offices stemming from federal funding cut backs.

Vacancy savings in fiscal 1982 was 11.2 percent. A 6.0 percent vacancy savings factor is recommended for the 1985 biennium.

Current level operating and equipment expenses are funded per program request. Overall operating expenditures rise rapidly from fiscal 1982 levels as a result of increased expenditures in equipment. The rise in equipment costs is requested for the phased acquisition and installation of distributed processing equipment for statewide automation of job service offices. These costs are estimated to be \$642,343 in fiscal 1984 and \$776,744 in fiscal 1985.

Total unemployment insurance benefit payments, not shown in the main table, are projected to be \$73,965,000 in fiscal 1984 and \$77,322,000 in fiscal 1985. This compares to about \$62,000,000 in benefit payments in fiscal 1982.

UNEMPLOYMENT INSURANCE TRUST FUND

The department intends to introduce several bills which directly or indirectly affect the state's unemployment insurance trust fund. The department estimates there will be a \$22 million deficit in this fund by the end of the biennium. To assist in understanding the situation, background information is provided in three sections: benefit funding and payments, interest, and administration funding.

Benefit Funding and Payments

Benefit Funding. Currently, employers pay an assessment into the trust fund. The assessment is dependent upon two factors: (1) the average annual wage in the state and (2) the unemployment experience of the employer.

1. Montana state law, Section 39-51-1100(4a), MCA, defines the average taxable wage for these purposes as 75 percent of the total average annual wage. Montana law, Section 39-51-1108(4), MCA, defines how the average taxable wage base is determined. For the first calendar quarter

of 1979 and thereafter, the taxable wage base for each year is 75 percent of the average annual wage in the state. However, the taxable wage base determined under the 75 percent rate is subject to a limitation that does not allow the base to grow by more than \$200 annually. Currently, the average annual wage is \$13,636. A taxable wage base equal to 75 percent of that amount would be \$10,227. However, because of the \$200 growth limitation, the applicable taxable wage base is only \$8,200 at present.

2. The unemployment experience factor of the employer is divided into classes, and a different rate applies to each class of employer.

Payments from employers are received by the Unemployment Insurance Division and are transferred to a federal trust fund account. The department requests transfers from its federal trust account to its benefits account daily to cover the claim checks issued. If the state's trust fund balance is not sufficient to cover the claims paid, funds may be borrowed from the federal trust fund. If these borrowed funds are not repaid by October 31, interest is charged. If the borrowed funds are not repaid within two years, the IRS will increase the federal unemployment tax against employers at a rate of .03 percent per year until the debt is repaid.

The department experiences a cash flow problem in the trust fund account during the first quarter of each calendar year because many people who were employed during the summer are filing claims, and the payments being received from employers are for fewer people employed. This cash flow problem requires that funds be borrowed to cover the claims that are paid. The borrowed funds are normally paid back by October so no interest is incurred.

Benefit Payment. The basic unemployment insurance claim allows for 26 weeks of payment at 50 percent of the claimant's average weekly wage in the base period. When these benefits are exhausted, further benefits may be available under extended benefits or federal supplemental compensation.

Extended Benefits: This program allows an additional 13 weeks of unemployment compensation if the following conditions are met:

1. a) The number of claimants is at least 5 percent of the total number of workers covered by insurance; and
b) The number of claimants must be 120 percent greater than the previous two-year average; or
2. The number of claimants is greater than 6 percent of the total number of workers covered by insurance.

If either of these conditions exist, claimants are eligible for an additional 13 weeks of payments, of which the state pays for half, and the federal government pays for half.

Federal Supplemental Compensation (FSC): The federal government has added an extension of unemployment benefits for the period October, 1982 until March, 1983. These benefits are available whether or not the extended benefits have been "triggered" or not, and provide an additional ten weeks of unemployment benefits. The federal government pays 100 percent of these costs.

Major Changes Proposed to the Current Benefit System. The department has projected a \$22,000,000 deficit in the unemployment insurance trust fund by the end of the 1985 biennium, given existing statutes and regulations. Past trust fund deficits have been covered by borrowing from the federal treasury. The department foresees the necessity of borrowing again in the future, but has suggested mitigating the interest expense incurred through borrowing by (1) increasing the amount of wages subject to contribution and (2) reducing benefit amounts.

First, the taxable wage base for each year is subject to a limitation that does not allow the base to grow by more than \$200 from one year to the next. The department requests eliminating this limitation in the statute.

Second, the current weekly benefit amount is the total base period wages divided by the number of weeks of covered employment times 50 percent. The department requests reducing the percentage to 45 percent.

The department states the combination of these measures would allow any borrowing to be repaid in the year of borrowing so interest is not incurred.

Interest

If the state trust fund has borrowed from the federal trust fund and the debt is at least two years old, the assessment against state employers increases 0.3 percent each year until the outstanding debt over two years old is repaid. State trust fund dollars cannot be used to repay interest on loans to the federal trust fund.

Montana currently has no debt that requires interest payments because loans have always been paid by October 31 of each calendar year. The department anticipates that interest expenses may be incurred in the 1985 biennium because federal loans may not be repaid by October 31 of each calendar year. This is because the claims on the benefits trust fund exceed payments into the trust fund during certain portions of the year.

Currently, the department has one other fund source available to pay the interest charges. These funds are derived from penalties for late payments of unemployment insurance tax. Approximately \$300,000 per year is collected from penalties. The department apparently spends these funds for other projects such as data processing and equipment purchases. The department proposes to allow the Commissioner of Labor to increase assessments against employers to pay the costs of interest payments as needed. As this would be an additional assessment, it would have no effect on the trust fund balance.

Administratation Funding

The administrative budget for the Unemployment Insurance Division is set by the federal government based upon work load indicators, such as the number of covered workers and the number of claims processed.

Funding for the administrative costs of the Unemployment Insurance Program comes from the federal unemployment tax (FUTA), assessed against an employer. It is normally assessed at the rate of 0.7 percent on the first \$6,000 of wages paid by an employer.

The department proposes to assess an additional 0.2 percent against each employer to generate approximately \$4 million annually to keep all 24 job service offices open. As this would be an additional assessment on employers, it would have no effect on the trust fund balance.

WORKERS' COMPENSATION DIVISION

WORKERS' COMPENSATION DIVISION

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	170.00	\$1,540,820	\$14,509,284
LFA Current Level	<u>163.83</u>	<u>1,485,600</u>	<u>14,188,954</u>
Executive Over (Under) LFA	6.17	\$ 55,220	\$ 320,330
	==	=====	=====

The executive budget exceeds this analysis by 6.17 FTE. This analysis has deleted 2 FTE from the safety and health program and 7 FTE from the state insurance program because these had not been filled during the entire fiscal 1982. The executive budget includes a total reduction of 5.83 FTE; 2.83 FTE from the state insurance program and a reduction of three positions in the administration program. These changes account for an FTE difference of 6.17 FTE.

The executive budget exceeds this analysis by \$320,000 in other appropriated funds over the biennium. Of this total, \$227,000 is attributable to the difference in FTE. The executive budget exceeds this analysis for equipment by \$144,000 over the biennium.

The executive budget includes \$32,452 more general fund for silicosis benefits than the amount provided in current level.

WORKERS' COMPENSATION DIVISION

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	182.67	188.83	163.83	163.83	(11.8)
<u>Fund Source</u>					
General Fund Approp.	\$ 860,711	\$ 861,886	\$ 783,600	\$ 702,000	(13.8)
Other Funds Approp.	4,405,229	6,089,479	6,253,810	6,449,544	21.0
Funds Budget Amended	1,186,362	-0-	-0-	-0-	(100.0)
Other Funds Non-App.	<u>957,424</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$7,409,726</u>	<u>\$6,951,365</u>	<u>\$7,037,410</u>	<u>\$7,151,544</u>	<u>(1.2)</u>
<u>Expenditures by Object</u>					
Personal Services	\$2,878,136	\$3,599,983	\$3,313,401	\$3,309,666	2.2
Operating Expenses	1,891,316	1,878,340	1,821,956	2,065,740	3.1
Equipment	<u>156,549</u>	<u>162,193</u>	<u>113,669</u>	<u>67,827</u>	<u>(43.0)</u>
Total Operating Costs	\$4,926,001	\$5,640,516	\$5,249,026	\$5,443,233	1.2
Non-Operating Expend.	<u>2,483,725</u>	<u>1,310,849</u>	<u>1,788,384</u>	<u>1,708,311</u>	<u>(7.8)</u>
Total Expenditures	<u>\$7,409,726</u>	<u>\$6,951,365</u>	<u>\$7,037,410</u>	<u>\$7,151,544</u>	<u>(1.2)</u>

The Workers' Compensation Division is composed of four programs: Administration, State Insurance Fund, Insurance Compliance, and Safety and Health. Fiscal 1982 expenditures are overstated relative to future expenditure in that we have not budgeted for bad debt write-off expense, nonbudgeted interest expenses, and an abnormally large building payment in fiscal 1982.

WORKERS' COMPENSATION DIVISION/ADMINISTRATION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	66.34	55.00	51.00	51.00	(15.9)
<u>Fund Source</u>					
General Fund Approp.	\$ 91,438	\$ 93,000	\$ 90,000	\$ 90,000	(2.4)
Other Funds Approp.	1,650,432	2,200,279	2,520,229	2,562,584	32.0
Funds Budget Amended	<u>1,186,362</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$2,928,232 =====	\$2,293,279 =====	\$2,610,229 =====	\$2,652,584 =====	0.8 ===
<u>Expenditures by Object</u>					
Personal Services	\$1,132,595	\$1,107,972	\$1,106,274	\$1,104,798	(1.3)
Operating Expenses	471,381	607,040	428,019	470,480	(16.7)
Equipment	<u>46,456</u>	<u>24,850</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$1,650,432	\$1,739,862	\$1,534,293	\$1,575,278	(8.3)
Non-Operating Expend.	<u>1,277,800</u>	<u>553,417</u>	<u>1,075,936</u>	<u>1,077,306</u>	<u>(17.6)</u>
Total Expenditures	\$2,928,232 =====	\$2,293,279 =====	\$2,610,229 =====	\$2,652,584 =====	0.8 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Additional costs for Claims Management System	\$ -0-	\$551,064	\$ -0-	\$100,569
2. Equipment purchase	\$ -0-	\$ 29,387	\$ -0-	\$224,795
3. Uninsured Employers				
Option a.	\$450,000	\$ -0-	\$500,000	\$ -0-
Option b.	275,000	-0-	275,000	-0-
Option c.	200,000	250,000	250,000	250,000
Option d.	-0-	450,000	-0-	500,000

The administration program provides the Workers' Compensation Division with accounting, personnel, statistical, informational, and management services. In fiscal 1982, the program also became responsible for administering the uninsured employers' program.

Current Level Adjustments

Actual fiscal 1982 expenditures appear larger than projected expenditures for several reasons. The division was required to budget amend \$1,186,362 in fiscal 1982 for an unanticipated payment on the new workers' compensation building. Payments projected for fiscal 1984 and 1985 are \$608,027 and \$575,884 respectively. Fiscal 1982 bad debt write-offs associated with the uninsured employers' program of \$158,019 were not budgeted for and are not included in the 1985 biennium projections.

Personal services are reduced to reflect the transfer of the audit bureau from the administration program to the centralized services program in the unemployment insurance division in the 1985 biennium. Personal services are increased one FTE for the transfer of the uninsured employer program to administration from the state insurance fund program. The net result is a reduction of 15.34 FTE.

Operating expenses are funded per program request with the exception of items discussed in Issue 1 below. Equipment expense is included in Issue 2.

Social Security Offsets

Social security offsets are payments to beneficiaries of employees who died in fiscal 1974 and who were covered by workers' compensation insurance. During the period the state reduced insurance benefits in allowance for social security payments. This procedure was subsequently dropped and the state makes up the difference from general fund to beneficiaries of individuals that died during this period. The following table shows past payments and projected payments.

Table 1
Social Security Offsets

<u>Fiscal Year</u>	<u>Payment Amount</u>
1980	\$100,709
1981	100,146
1982	91,438
1983 Appropriated	93,600
1984 Projected	90,000
1985 Projected	90,000

Issue 1: Claims Management System

In July of 1980 the division budgeted \$288,837 for the upgrading of five functions associated with the Claims Management System. In the interim, the division has decided that many more functions (approximately 15) are in need of upgrading as well. New development costs of \$332,369, systems support costs of \$82,336, equipment costs of \$111,060, and production costs of \$125,868 are requested to provide for the additional upgrading. Prior to appropriating funds for the systems development, the legislature should be apprised of the exact functions to be upgraded, the cost associated with each function, and the expected benefits to be derived from the upgrading of each function. Full acceptance of the department's proposal would increase workers' compensation fund appropriations \$551,064 in fiscal 1984 and \$100,569 in fiscal 1985.

Issue 2: Equipment Purchase

The program has requested extensive equipment purchases during the biennium. Most of these purchases are associated with moving into the new workers' compensation building. Before authorizing the appropriation, the legislature should request information regarding the extent to which existing equipment will be discarded rather than transferred and also provide an appropriation based on actual FTE rather than requested FTE. Funding the full request would require an appropriation of \$29,387 in fiscal 1984 and \$224,795 in fiscal 1985.

Issue 3: Uninsured Employers

Workers' compensation benefits are paid to injured employees of uninsured employers as if the employee had been working for an insured employer. Funding for the uninsured employers' fund is provided for in statutes which require that "...the uninsured employer pay to the fund a penalty of either double the premium amount the employer would have paid on the payroll of the employers' workers in this state if the employer had been enrolled with compensation plan No. 3 or \$200, whichever is greater."

These fines have not been sufficient to cover the fund required in this program. The fund is currently insolvent and individuals who are uninsured and injured are not receiving benefits. The department has

estimated that approximately \$1,000,000 is needed to cover liabilities in the 1985 biennium and has requested general fund of \$450,000 in fiscal 1984 and \$500,000 in fiscal 1985.

The Governor's Council on Management concluded that \$275,000 was needed annually for benefit payments in this program, and suggested that general fund provide initial support until such time as stricter enforcement and increased penalties are sufficient to cover benefits. The nongeneral fund dollars paid as benefits are not appropriated funds.

OPTIONS

Option a: Fund the department's assessment of fund requirements totally with general fund. Expenditures increase \$450,000 in fiscal 1984 and \$500,000 in fiscal 1985.

Option b: Provide initial general fund allocations in accordance with the Governor's Council's recommendation. General fund expenses increase \$275,000 annually in the 1985 biennium.

Option c: Fund the department's assessment of requirements partly with general fund and partly through increased compliance and penalties. General fund expense increases \$200,000 in fiscal 1984 and \$250,000 in fiscal 1985; other funds increase \$250,000 annually during the 1985 biennium.

Option d: Fund the department's assessment of requirements fully through increased compliance and penalties. Other funds not appropriated will increase to cover the benefits paid.

Fiscal 1984 and 1985 operating and equipment expenses are budgeted per program request.

Not shown in the main table are compensation fund benefit payments.

STATE INSURANCE FUND

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	66.33	83.83	64.83	64.83	(13.7)
<u>Fund Source</u>					
Other Funds Approp.	<u>\$1,572,970</u>	<u>\$2,463,079</u>	<u>\$2,281,854</u>	<u>\$2,414,671</u>	<u>16.3</u>
Total Funds	<u>\$1,572,970</u> =====	<u>\$2,463,079</u> =====	<u>\$2,281,854</u> =====	<u>\$2,414,671</u> =====	<u>16.3</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$ 893,036	\$1,523,272	\$1,214,897	\$1,214,019	0.5
Operating Expenses	613,391	859,964	997,697	1,164,071	46.7
Equipment	<u>66,543</u>	<u>79,843</u>	<u>58,883</u>	<u>26,118</u>	<u>(41.9)</u>
Total Operating Costs	<u>\$1,572,970</u>	<u>\$2,463,079</u>	<u>\$2,271,477</u>	<u>\$2,404,208</u>	<u>15.8</u>
Non-Operating Expend.	<u>-0-</u>	<u>-0-</u>	<u>10,377</u>	<u>10,463</u>	<u>100.0</u>
Total Expenditures	<u>\$1,572,970</u> =====	<u>\$2,463,079</u> =====	<u>\$2,281,854</u> =====	<u>\$2,414,671</u> =====	<u>16.4</u> =====

The State Insurance Fund acts as an insurance company for employees injured or disabled while employed with a covered employer. The program administers the collection of premiums from employers and the disbursement of funds to claimants.

Current Level Adjustments

The audit bureau previously based in the administration program was transferred to the State Insurance Fund program for fiscal 1983 only. After that, the bureau will move into the Centralized Services Program of the Unemployment Insurance Division. Consequently, personal services is reduced 13 positions from fiscal 1983 reflecting this transfer. An additional position is removed with the move of the Uninsured Employer Program to administration, and an additional seven positions have been deleted that had not been filled the entire year. The net result is a reduction of 1.5 FTE from fiscal 1982 levels and 19 FTE from the fiscal 1983. Transfers of \$20,840 over the biennium have been included for funding of the Commissioner's Office and Central Services functions.

INSURANCE COMPLIANCE PROGRAM

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	22.00	22.00	22.00	22.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$ 769,273	\$ 768,886	\$ 693,600	\$ 612,000	(15.1)
Other Funds Approp.	<u>439,052</u>	<u>499,412</u>	<u>521,697</u>	<u>534,410</u>	<u>12.5</u>
Total Funds	<u>\$1,208,325</u>	<u>\$1,268,298</u>	<u>\$1,215,297</u>	<u>\$1,146,410</u>	<u>(4.6)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 332,131	\$ 375,110	\$ 385,897	\$ 385,338	9.0
Operating Expenses	92,632	128,456	129,268	144,363	23.8
Equipment	<u>24,049</u>	<u>7,300</u>	<u>3,241</u>	<u>1,391</u>	<u>(85.2)</u>
Total Operating Costs	\$ 448,812	\$ 510,866	\$ 518,406	\$ 531,092	9.4
Non-Operating Expend.	<u>759,513</u>	<u>757,432</u>	<u>696,891</u>	<u>615,318</u>	<u>(13.5)</u>
Total Expenditures	<u>\$1,208,325</u>	<u>\$1,268,298</u>	<u>\$1,215,297</u>	<u>\$1,146,410</u>	<u>(4.6)</u>

The insurance compliance unit reviews cases for self-insured or privately insured employers and monitors the claims and payments made under those programs. In addition, the unit also administers general fund silicosis benefit payments.

Current Level Adjustments

Fiscal year 1984 and 1985 operating and equipment expenses were budgeted per the program request which was less than the inflation rates. There are no changes to personal services.

Silicosis Benefits

Title 39, Chapter 73, MCA, provides for general fund benefit payments to silicotics and surviving spouses of silicotics. The current benefit payment is \$200 per month. The following table shows past and projected payments under this program.

Table 1
Silicosis Payments

<u>Fiscal Year</u>	<u>Payments</u>
1980	\$775,894
1981	722,974
1982	759,513
1983 Projected	756,832
1984 Projected	693,600
1985 Projected	612,000

Although we have budgeted for department projections, benefits appear to be dropping suddenly in the 1985 biennium. We suggest the department substantiate the reasons for the drop in benefit payments prior to final appropriations.

SAFETY AND HEALTH PROGRAM

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	28.00	28.00	26.00	26.00	(7.1)
<u>Fund Source</u>					
Other Funds Approp.	<u>\$742,775</u>	<u>\$926,709</u>	<u>\$930,030</u>	<u>\$937,879</u>	<u>(11.9)</u>
Total Funds	<u>\$742,775</u> =====	<u>\$926,709</u> =====	<u>\$930,030</u> =====	<u>\$937,879</u> =====	<u>11.9</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$520,374	\$593,629	\$606,333	\$605,511	8.8
Operating Expenses	202,900	282,880	266,972	286,826	14.0
Equipment	<u>19,501</u>	<u>50,200</u>	<u>51,545</u>	<u>40,318</u>	<u>31.8</u>
Total Operating Costs	\$742,775	\$926,709	\$924,850	\$932,655	11.3
Non-Operating Expend.	<u>-0-</u>	<u>-0-</u>	<u>5,180</u>	<u>5,224</u>	<u>100.0</u>
Total Expenditures	<u>\$742,775</u> =====	<u>\$926,709</u> =====	<u>\$930,030</u> =====	<u>\$937,879</u> =====	<u>11.9</u> =====

The Safety and Health Program conducts industrial, mine, and boiler inspections, and conducts training.

Current Level Adjustments

Personal services was reduced by two FTE for a clerical position unfilled all year and a safety/health specialist position filled only 3 percent of the year. Actual vacancy savings was 8.8 percent in fiscal 1982. A 3.5 percent vacancy savings factor is recommended for the 1985 biennium.

Operating expenses and equipment expenses are budgeted per the program request. Transfers of \$10,404 over the biennium have been included.

DEPARTMENT OF HEALTH

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	220.85	\$8,887,305	\$36,357,829
LFA Current Level	<u>215.50</u>	<u>7,546,321</u>	<u>36,165,895</u>
Executive Over (Under) LFA	5.35	\$1,340,984	\$ 191,934
	====	=====	=====

The executive budget includes an additional 5.35 FTE, and exceeds the current level by \$1.3 million in general fund over the biennium. The executive budget total exceeds current level by \$191,934 over the biennium.

The executive budget has included general fund over the current level totaling approximately \$570,000 in Health Planning, \$100,000 for the Hazardous Waste Program, \$170,000 for the Laboratory, \$90,000 for the Legal Division, \$160,000 in the Health Services Division, \$90,000 in the Director's Office, \$120,000 in Water Quality, and \$120,000 in Environmental Administration. The FTE difference results from changes that are in several programs and does not reflect a single issue.

DEPARTMENT OF HEALTH

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	272.25	259.75	215.50	215.50	(18.9)
<u>Fund Source</u>					
General Fund Approp.	\$ 3,149,824	\$ 3,706,860	\$ 3,739,113	\$ 3,807,208	10.0
Other Funds Approp.	15,187,727	17,920,402	14,136,622	14,482,952	(13.5)
Funds Budget Amended	<u>470,396</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$18,807,947</u>	<u>\$21,627,262</u>	<u>\$17,875,735</u>	<u>\$18,290,160</u>	<u>(10.5)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 5,844,642	\$ 6,569,219	\$ 5,654,432	\$ 5,648,211	(8.9)
Operating Expenses	7,140,185	8,622,075	6,628,341	7,029,343	(13.3)
Equipment	<u>205,287</u>	<u>71,734</u>	<u>15,552</u>	<u>15,401</u>	<u>(88.8)</u>
Total Operating Costs	<u>\$13,190,114</u>	<u>\$15,263,028</u>	<u>\$12,298,325</u>	<u>\$12,692,955</u>	<u>(12.1)</u>
Non-Operating Expend.	<u>5,617,833</u>	<u>6,364,234</u>	<u>5,577,410</u>	<u>5,597,205</u>	<u>(6.7)</u>
Total Expenditures	<u>\$18,807,947</u>	<u>\$21,627,262</u>	<u>\$17,875,735</u>	<u>\$18,290,160</u>	<u>(10.5)</u>

This current level analysis of the Department of Health reflects a reduction from the fiscal 1982 base. This decrease is due to reduction requests made by the department which include 46.75 FTE and total approximately \$13.7 million in operating expenses over the biennium.

There are two block grants within the department: the Maternal and Child Health (MCH) Block Grant and the Preventative Health Block Grant. The MCH Block Grant is presented in the Health Services budget writeup. The Preventative Health Block Grant is presented as an individual writeup.

PREVENTATIVE HEALTH BLOCK GRANT

During the past biennium, the federal government initiated its block grant package which replaced many categorical grants. The first special session of the 1981 Legislature met to approve how the block grant was to be spent within Montana.

For fiscal 1984 and 1985, \$562,289 per year is anticipated for the Preventative Health Block Grant. Two programs, Hypertension and Rape Crisis, are required expenditures. All other programs proposed to use these funds are optional. Table 1 shows that after funding the required program, there is \$474,529 remaining in fiscal 1984 and \$533,429 remaining in fiscal 1985.

Table 1
Preventative Health Block Grant Spending Options
Mandatory Programs

	----Department Request----	
	<u>FY 1984</u>	<u>FY 1985</u>
Anticipated Block Grant	\$562,289	\$562,289
Mandated Programs		
Hypertension	\$ 77,500	\$ 18,600
Rape Crisis	<u>10,260</u>	<u>10,260</u>
Total	<u>\$ 87,760</u>	<u>\$ 28,860</u>
Amount Remaining For Other Programs	\$474,529 =====	\$533,429 =====

The legislature will need to consider the use of the Preventative Health Block Grant in addressing a number of budgets. There are potential effects on the following budgets: (1) director's office, (2) health services, (3) laboratory, (4) preventative health, and (5) hospital and medical facilities (emergency medical services).

The current level analysis of these budgets has maintained the block grant programs approved during special session at current level. However, as can be seen on Table 2, there are not sufficient dollars to fully fund all program options, because the total costs of all eligible, non-mandated programs exceed the total amount available.

Table 2 shows the department's request for distribution of the block grant funds and block grant funds needed to maintain programs at current level.

Table 2
Available Preventative Block Grant Funding for Optional Programs
the Department Request Versus Current Level

Programs	Department Request		Current Level	
	1984	1985	1984	1985
Director				
Administrative Costs	\$ 56,229	\$ 56,229	\$56,229	\$ 59,603
Grants to Counties	120,842	120,842	120,842	128,093
Health Facilities				
Emergency Med. Ser.	229,712	229,712	254,164	267,737
Laboratory				
Personal Services	-0-	-0-	34,000	34,000
Equipment	-0-	-0-	80,766	20,800
Preventative Health				
Diabetes	34,157	34,157	33,350	34,300
Risk Reduction	33,589	92,489	25,209	26,723
Tumor Registry	-0-	-0-	55,000	58,300
Health Services				
Dental Program*	-0-	-0-	53,911	57,146
Transfer to MCH Block	-0-	-0-	39,360	39,360
Total Cost	\$474,529	\$533,429	\$752,831	726,062
Available Funds	474,529	533,429	474,529	533,429
Cost Over (Under)				
Available Funds	\$ -0-	\$ -0-	\$278,302	\$192,633
	=====	=====	=====	=====

*No Preventative Block Grant funds are being used in the Dental Program. Although its use was approved during Special Session I, the block grant was less than anticipated and the department did not use the Preventative Block Grant in the Dental Program. The Dental Program is a valid use of the Preventative Block Grant.

As is shown above, there are not sufficient block grant funds to support all eligible programs at current level.

Issue

The issues to be addressed regarding this block grant are: (1) which programs will be continued with block grant funds, (2) should general fund or other state funds replace block grant funds, or (3) should some programs be reduced below current level?

HEALTH SERVICES DIVISION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	47.00	47.00	31.00	31.00	(48.3)
<u>Fund Source</u>					
General Fund Approp.	\$ 661,476	\$ 789,343	\$ 954,001	\$ 981,946	33.4
Other Funds Approp.	9,068,191	11,498,013	8,802,607	9,060,465	(13.1)
Funds Budget Amended	<u>16,397</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$9,746,064</u>	<u>\$12,287,356</u>	<u>\$9,756,608</u>	<u>\$10,042,411</u>	<u>(10.1)</u>
<u>Expenditures by Object</u>					
Personal Services	\$1,115,948	\$ 1,096,322	\$ 853,559	\$ 853,628	(22.8)
Operating Expenses	4,706,424	6,292,193	4,697,097	4,983,209	(11.9)
Equipment	<u>9,476</u>	<u>1,500</u>	<u>378</u>	<u>-0-</u>	<u>(96.5)</u>
Total Operating Costs	\$5,831,848	\$ 7,390,015	\$5,551,034	\$ 5,836,837	(13.8)
Non-Operating Expend.	<u>3,914,216</u>	<u>4,897,341</u>	<u>4,205,574</u>	<u>4,205,574</u>	<u>(4.5)</u>
Total Expenditures	<u>\$9,746,064</u>	<u>\$12,287,356</u>	<u>\$9,756,608</u>	<u>\$10,042,411</u>	<u>(10.1)</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Use of MCH Block Grant				
Option a.	\$ -0-	\$ 54,869	\$ -0-	\$ 54,869
Option b.	184,467	-0-	151,641	-0-
Option c.	(547,115)	-0-	(579,942)	-0-
2. Newborn Transport				
Option a.	\$ 10,000	\$(10,000)	\$ 60,000	\$(60,000)
Option b.	-0-	10,000	-0-	60,000
3. Family Planning				
Option a.	\$257,866	\$ (213,670)	\$273,338	\$ (226,490)
Option b.	-0-	257,866	-0-	273,338

This division houses several distinct programs which include Maternal and Child Health, Handicapped Child Services, Dental Health, Child Nutrition, the Women, Infant, and Child (WIC) Food Program, and Family Planning. This division receives almost all of the department's share of the Maternal and Child Health (MCH) Block Grant. Because of the change from categorical grants to a block grant, this division has reduced its operating level significantly. These changes are discussed in adjustments below.

Current Level Adjustments

This program's operating expenses were reduced by approximately \$289,000 as requested by the department. The 1985 biennium budget reflects either current level expenditures, or a lower amount if requested by the department.

FTE were substantially reduced in this program as requested by the department. The last regular session approved 47 FTE in fiscal 1982 and fiscal 1983 for this program. The department requests 31 FTE be retained. This cut in FTE reflects the department's desire to pass funds through to local programs, rather than administering the programs from Helena. The agency states that no cut in services will result from this reduction in FTE. A 3.5 percent vacancy savings is recommended for the 1985 biennium.

Issue 1: Maternal and Child Health Block Grant

Several categorical grants have been replaced by the Maternal and Child Health (MCH) Block Grant. There are sufficient funds available to continue current level for all programs previously funded with this block grant. The legislature has the option of shifting these funds among programs. The decisions that are made regarding which programs to fund affect programs only within the Health Services Division and the grants to locals from the director's office budget.

The various program options that have been used for MCH block grant funding are shown in Table 2. Shown are the programs for which the department requests funding from the block grant and a display of the amount necessary to maintain programs approved during special session at their current level.

Table 2
Current Level of Programs Funded from MCH Block Grant
and Department Request

Program	-----Fiscal 1984-----		
	Current Level	Department Request	Expansion Cut Difference
MCH	\$ 25,964	\$ 25,715	\$ (249)
Handicapped Children	461,051	429,367	(31,684)
Grants to Counties	547,115	786,451	239,336
Director's Office	<u>137,948</u>	<u>137,948</u>	<u>-0-</u>
Total	<u>\$1,172,078</u> =====	<u>\$1,379,481</u> =====	<u>\$ 207,403</u> =====
-----Fiscal 1985-----			
MCH	\$ 27,523	\$ 25,715	\$ (1,808)
Handicapped Children	488,714	429,367	(59,347)
Grants to Counties	579,942	786,451	206,509
Director's Office	<u>146,225</u>	<u>137,948</u>	<u>(8,277)</u>
Total	<u>\$1,242,404</u> =====	<u>\$1,379,481</u> =====	<u>\$ 137,077</u> =====

In general, the department requests that grants to counties be increased from the fiscal 1982 level of \$480,000 to \$785,000 in fiscal 1984. However, this increase requires that general fund be requested in the Maternal and Child Health and Handicapped Childrens' programs to maintain these programs at current level. Thus, the grants are requested to be increased at the expense of general funds.

There are three other programs which could be funded from MCH Block Grant funds. These are Dental, Cleft Palate, and Heart Programs. Table 3 shows the cost of the current level program that can utilize MCH care funds in comparison to the available block grant funds.

Table 3
Programs That Can Be Funded From MCH Block Grant Funds and
Related Funding for Fiscal 1983, 1984, and 1985

<u>Program Costs</u>	<u>Actual Funding from Block Grant Fiscal 1983</u>	<u>-Current Level Budget Analysis- Fiscal 1984</u>	<u>Fiscal 1985</u>
Maternal & Child Health			
Operations	\$ 24,495	\$ 25,964	\$ 27,523
Handicapped Children	558,520	461,051	488,714
County Grants*	950,742	547,115	579,941
Director's Office	154,953	137,948	146,225
Dental	-0-	68,756	72,890
Cleft Palate	-0-	61,000	61,000
Heart	-0-	55,000	55,000
Total	<u>\$1,688,710</u> =====	<u>\$1,356,834</u> =====	<u>\$1,431,293</u> =====

*1983 amount reflects one-time carry-over from categorical grants also included in grants to counties. LFA analysis based on fiscal 1982 actual.

Table 4 shows the amount of funds available for fiscal 1984 and fiscal 1985 in comparison to current level program costs.

Table 4
MCH Block Grants Funds Available for 1985 Biennium Programs

	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
Funds Available		
Grant	\$1,379,481	\$1,379,481
Carry-over from prior years	<u>138,904</u>	<u>161,551</u>
Total Funds Available	\$1,518,385	\$1,541,032
Current Level Costs	<u>1,356,834</u>	<u>1,431,293</u>
Remaining Balance	<u>\$ 161,551</u> =====	<u>\$ 109,739</u> =====

As is shown above, if grants to counties are maintained at the "normal" level experienced in fiscal 1982, all programs eligible for the MCH block grant can be maintained at their current level in the 1985 biennium.

In fiscal 1982, the department made grants for specific projects in seven urban counties which totaled \$450,000. However, in fiscal 1983 the department administratively restructured the grant program. The grant program now passes through funds for general health purposes to all counties. In fiscal 1983, grants are expected to total \$950,742. All counties except one received an increase from this new distribution, which nearly doubled the funds being passed through to the counties between fiscal 1982 and fiscal 1983.

The funding issue in the Health Services Division is: (1) should the county grant program be expanded with MCH Block Grant funds while other programs are cut or shifted to the general fund, or (2) should some programs, perhaps the county grants, remain at or be cut below current level and MCH Block Grant funds utilized for other program options?

OPTIONS

Option a: An increase in grants to counties could be supported up to \$54,869 in both years of the biennium due to the anticipated carry-over from fiscal 1983.

Option b: Expand the grants as requested by the department. This would require additional general fund of \$184,467 in fiscal 1984 and \$151,641 in fiscal 1985 and would utilize the remaining MCH block grant funds of \$109,739.

Option c: If grants to counties were reduced so that general fund was not indirectly being granted to local governments, the block grant funds could be used to fund other programs. A total elimination of the grants would save \$547,115 in fiscal 1984 and \$579,942 in fiscal 1985.

Option d: Continue the grants at current level. This option is included in our analysis.

Issue 2: Newborn Transport

The department requests \$10,000 in fiscal 1984 and \$60,000 in fiscal 1985 from general fund to replace federal funds for the newborn transport program. This program was started by budget amendment in fiscal 1981 and was funded with federal funds last session. This program provides transportation to newborn infants with respiratory distress or other major medical problems. Also coordinated with this program are the results from tests of amniotic fluid prior to birth from high risk mothers to attempt to identify infants who may present problems at birth. In these cases, the mother can be transported prior to birth to a facility that is equipped to receive these infants. In fiscal 1982, 131 mothers and 289 infants were transported, and 272 tests were performed for high risk mothers. The department requests funds for 50 transports and 200 tests in fiscal 1984 and 1985. The large reduction in anticipated case load is due to a planned revision of eligibility for this program.

OPTIONS

Option a: Fund program with general fund as requested. This would cost \$10,000 in fiscal 1984 and \$60,000 in fiscal 1984.

Option b: Fund program from the Maternal and Child Health Block Grant.

Option c: Do not fund the program.

Issue 3: Family Planning General Fund

In the past, the Health Department has received Title 20 funds from SRS for family planning services, because these services were mandated by the federal government to receive Title 20. Title 20 funds are now combined into the Social Services Block Grant, and family planning services are no longer required. Thus, SRS has not budgeted to spend these block grant funds for family planning services with the Health Department.

OPTIONS

Option a: Continue this program at current level with general fund at a cost of \$257,866 in fiscal 1984 and \$273,338 in fiscal 1985.

Option b: Fund this program from the Maternal and Child Health Block Grant.

Option c: Continue to fund this program with Title 20 funds from SRS. This option is included in our analysis.

Option d: Do not fund this program.

PREVENTATIVE HEALTH BUREAU

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	13.00	13.00	11.00	11.00	(15.3)
<u>Fund Source</u>					
General Fund Approp.	\$119,064	\$146,273	\$ 87,555	\$ 91,576	(32.4)
Other Funds Approp.	<u>381,228</u>	<u>350,767</u>	<u>360,750</u>	<u>364,882</u>	<u>0.8</u>
Total Funds	\$500,292 =====	\$497,040 =====	\$448,305 =====	\$456,458 =====	(9.2) =====
<u>Expenditures by Object</u>					
Personal Services	\$257,443	\$266,382	\$229,645	\$228,811	(12.4)
Operating Expenses	134,944	230,658	98,007	106,994	(43.9)
Equipment	<u>858</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$393,245	\$497,040	\$327,652	\$335,805	(25.4)
Non-Operating Expend.	<u>107,047</u>	<u>-0-</u>	<u>120,653</u>	<u>120,653</u>	<u>125.4</u>
Total Expenditures	\$500,292 =====	\$497,040 =====	\$448,305 =====	\$456,458 =====	(9.2) =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding from the Preventa- tive Health Block Grant	\$230,559	\$(230,559)	\$243,344	\$(243,344)
2. General Fund Match	\$ 7,030	\$ -0-	\$ 7,200	\$ -0-

This bureau administers several programs which include hypertension, risk reduction, diabetes, immunization, venereal disease, and the tumor registry. The department combined this program into the Health Services Division in fiscal 1983. Because the legislature has examined the Preventative Health Bureau budget separately in the past, it is presented here as a separate entity, although the department considers this program part of the Health Services Division budget.

Current Level Adjustments

Because this program has been reorganized, the fiscal 1982 administrative costs of this program were deleted. These functions have been absorbed by the Health Services Program. This results in a total reduction of \$76,000 from this program. Operating expenses were reduced a total of \$39,763 when the program is adjusted to reflect reorganization. These adjustments were made in every line item in the operating expenses. Two FTE were deleted as requested by the department. No vacancy savings was taken because these two positions being deleted were the only turnover in this unit in fiscal 1982.

Issue 1: Preventative Block Grant Funding

This budget unit has several programs which can be funded from the Preventative Health Block Grant. The programs include those mandated under the block grant and other program options as shown in Table 1.

Table 1
Preventative Health Bureau Programs Eligible to
Receive Funding from Preventative Health Block Grant

	-----1984-----			-----1985-----	
	1983 Approp. Level from Block Grant	Depart. Req. from Block Grant	Current Level	Depart. Req. from Block Grant	Current Level
<u>Mandated Programs</u>					
Hypertension*	\$ 93,156	\$ 77,500	\$ 98,745	\$ 18,600	\$104,670
Rape Crisis*	17,222	10,260	18,255	10,260	19,351
<u>Other Program Options</u>					
Diabetes	43,242	34,157	33,350	34,157	34,300
Risk Reduction	23,783	33,589	25,209	92,489	26,723
Tumor Registry	-0-	-0-	55,000	-0-	58,300
Total Cost	\$177,403	\$155,506	\$230,559	\$155,506	\$243,344
Funds Available	177,403	562,289	562,289	562,289	562,289
Remainder	-0-	\$406,783	\$331,730	\$406,783	\$318,945
	=====	=====	=====	=====	=====

*Department request is at federally mandated level.

As can be seen above, all the program options in Table 2 could be maintained at the mandated or current level, because total eligible program costs are less than the amount available from the block grant. However, as was displayed in the Preventative Health Block Grant narrative, there are several other programs which are eligible for these block grant funds. The options selected above should be considered simultaneously with all the options available within the Health Department.

Issue 2: Required General Fund Match/Program Expansion

Two programs in this bureau are still funded from categorical grants: venereal disease control and immunization. The federal government now requests the department supply a 20 percent general fund match to the travel and personal services expenditures in these two programs.

The department requests that these programs be expanded by the amount of newly required general fund match which increases the program by approximately \$35,000 per year. This analysis maintains these two programs at current level, but adds general fund sufficient to meet the match requirements.

OPTIONS

Option a: Fund according to the department request. This expands the program by the amount of the general fund match, \$35,124 in fiscal 1984 and \$35,998 in fiscal 1985, and costs additional general fund totaling \$7,030 in fiscal 1984 and \$7,200 in fiscal 1985.

Option b: Keep the program at current level and fund the match at the required level. This costs \$28,094 in fiscal 1984 and \$28,798 in fiscal 1985 from the general fund and will generate a corresponding federal savings. This is included in current level.

HOSPITAL AND MEDICAL FACILITIES DIVISION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Level Fiscal 1984	Fiscal 1985	% Change Biennium 1983-85
FTE	27.50	27.50	25.80	25.80	(6.1)
<u>Fund Source</u>					
General Fund Approp.	\$ 346,540	\$ 401,650	\$ 371,151	\$ 392,290	2.0
Other Funds Approp.	<u>1,035,056</u>	<u>657,891</u>	<u>686,930</u>	<u>723,615</u>	<u>(16.6)</u>
Total Funds	<u>\$1,381,596</u>	<u>\$1,059,541</u>	<u>\$1,058,081</u>	<u>\$1,115,905</u>	<u>(10.9)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 490,155	\$ 648,171	\$ 639,563	\$ 637,492	12.1
Operating Expenses	621,655	407,570	415,052	474,970	(13.5)
Equipment	<u>31,466</u>	<u>3,800</u>	<u>3,466</u>	<u>3,443</u>	<u>(80.4)</u>
Total Operating Costs	<u>\$1,143,276</u>	<u>\$1,059,541</u>	<u>\$1,058,081</u>	<u>\$1,115,905</u>	<u>(1.3)</u>
Non-Operating Expend.	<u>238,320</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$1,381,596</u>	<u>\$1,059,541</u>	<u>\$1,058,081</u>	<u>\$1,115,905</u>	<u>(10.9)</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding Mix - Licensing and Certification Bureau	\$ 17,132	\$ (17,132)	\$ 18,161	\$ (18,161)
2. Request for Increased Base	\$ 2,843	\$ 16,113	\$ 3,014	\$ 17,080
3. Building Plan Inspection Option a.	\$ 9,259	\$ 37,741	\$ 9,259	\$ 37,741
4. Vacant Positions	\$(18,750)	\$ (56,250)	\$(18,750)	\$ (56,250)
5. Preventative Block Grant Funding	\$254,164	\$(254,164)	\$267,737	\$(267,737)

This division has two distinct functions: (1) state licensing and medicaid certification of all health care facilities in the state and (2) the Emergency Medical Services Program. Although the summary table combines both of these programs, the expenses and funding of each of the two programs is addressed in subsections of this report.

Background

The licensing program receives federal funding from Title 18, (medicare) and Title 19 (medicaid). The medicare money has no match requirement, while the medicaid funds require a state general fund match which is based on the amount spent for personal services, travel, and training.

The Emergency Medical Services (EMS) Program is eligible to receive federal funds from the Preventative Health Block Grant. This program used to receive a categorical grant which allowed large amounts to be passed through to local EMS regions. These categorical funds are no longer available. This analysis includes funding from the Preventative Health Block Grant sufficient to cover all EMS expenses which were paid for with federal funds in fiscal 1982. Thus, general fund does not assume federal program costs.

The EMS program also receives general fund which supports a portion of the staff and operating expenses. Last session, general fund of \$60,000 per year was added for the Poison Control Program. This program is for the payment for a WATS line to Denver and for a portion of the nursing staff that respond to callers.

Vacancy Savings: This division experienced a vacancy savings in excess of 10 percent during fiscal 1982. However, several positions that were held open are being deleted at the department's request, while other positions that were filled during all of fiscal 1982 are being transferred to this program from the planning program. To account for this situation, a vacancy savings rate of 3.5 percent is recommended for 1984 and 1985.

Current Level Adjustments

Licensing and Certification: The base expenditures were adjusted in this program to reflect the department request because of an anticipated

increase in Title 18 funding from the federal government. Federal medicare funds do not require a match. The adjustments were made in every line item and total an increase of \$117,568. Significant increases for these inspections include \$33,800 each year to contract for building plan inspection (see Issue 2), a \$14,000 increase in travel due to federal requirements, and an increase of \$73,000 in personal services. Although the FTE increase by only .08, the large adjustment keeps the staff at its current authorized level. Because four health facility surveyor positions were vacant all of fiscal 1982, the fiscal 1982 actual expenditures are much lower than if staff had been on board all year (see Issue 3).

Emergency Medical Services: The Emergency Medical Services Program is maintained at current level except for an increase in contracted services and communications for the Poison Control Program and reductions requested by the department. The addition is due to an increase in the use of this service and its related costs line to the Rocky Mountain Poison Control Center in Denver. The increases total \$19,577 in fiscal 1984, and \$32,060 in fiscal 1985, funded from the general fund.

Issue 1: Funding Mix

The department maintains that it is unsure of federal funding in fiscal 1984 and 1985, and requests that all additions to its expenditure base due to inflation be funded from the general fund. Our analysis of this division does not make this assumption. Our budget analysis funds the program with general fund sufficient to support all of the activities supported with general fund in fiscal 1982. Federal spending authority is included that requires federal funds to increase with inflation. In this way, general fund does not supplant federal funds. If the federal funds do not materialize, it is expected the program would be reduced to a level that can be supported with the available funding. If each division is line itemed in the appropriation bill, any excess federal authority that may occur (should federal funds not materialize) could not be transferred elsewhere within the department.

OPTIONS

Option a: Replace federal funds with general funds to guarantee that programs stay at current level. This option is at a general fund cost of \$17,132 in fiscal 1984 and \$18,161 in fiscal 1985.

Option b: Maintain the current general fund/federal fund ratio of funding this program. This assures that general funds do not begin to assume costs originally funded by federal funds. This option is included in the current level analysis.

Issue 2: Licensing and Certification

The department requests its base level of expenditures be increased 16.7 percent (\$16,871) before inflation factors are applied. This request for additional funding represents an increased program cost without an increase in services. It is assumed there is no change in program activities, because no modified request was submitted. When this increase in base expenditures is inflated, the cost of this expansion is approximately \$18,956 in fiscal 1984 and \$20,094 in fiscal 1985.

OPTIONS

Option a: Allow the base increase as requested. This increase will not fund an increased level of service, and will cost approximately \$19,000 per year.

Option b: Keep the program at the current level base. This option is included in the current level analysis.

Issue 3: Building Plan Inspection

Building plans must be reviewed to insure that licensing and certification requirements are met. The department request includes two components for inspection of building plans for proposed construction. First, a half-time position is requested, costing \$13,421. Second, the department requests \$33,800 for contracted services should the program be unable to hire an inspector. Thus, the department requests two methods of building plan inspections be funded, when only one of the two methods would be used: either an inspector would be hired or a consultant would be contracted with. According to the department, funding for a half-time build-

ing plan inspector and for contracted services to review plans are both requested because of the difficulty in hiring a half-time inspector.

Because the amount requested for contracted services is sufficient to cover the FTE requested, one option would be to authorize the position (a half-time position is requested) but not fund it. If the department is able to hire an inspector, the amount necessary to pay the inspector could be transferred from contracted services. The remaining funds unused for this purpose should revert. If this option is chosen, it should be stated in the appropriations bill that the half-time position is to be used only to hire a building inspector.

The two options are summarized below:

OPTIONS

Option a: Fund the department's request. This would include full funding for a half-time building inspector to review plans and \$34,643 to review the same plans under contract. This option totals approximately \$47,000 per year, including \$9,259 general fund.

Option b: Fund only the contracted services request of \$34,000. If the department is still unable to hire a half-time plan inspector, sufficient funds would be available to have those inspections done under contract. However, if the department is able to hire a building inspector, the funds could be transferred from contracted services for this purpose. Because the half-time position is significantly less than the contracted services, the excess should revert. Language may be needed to insure this result. This option would cost approximately \$34,000 per year, of which \$6,698 would come from the general fund. This option is included in our analysis.

Issue 4: Vacant Positions

The department had four health care facility surveyor positions open during all of fiscal 1982, and a fifth surveyor position open for a majority of fiscal 1982. These positions are requested to be retained. This analysis includes funding for these positions because of an anticipated federal work load increase of certification of medicare facilities.

OPTIONS

Option a: Delete these positions as they were held open during a majority of fiscal 1982. These positions cost approximately \$75,000 per year, with nearly \$18,750 from the general fund.

Option b: Retain and fund these four facility surveyor positions at a cost of approximately \$75,000 per year.

Issue 5: Preventative Block Grant Funding

The department requests a portion of the Preventative Health Block Grant be used to fund the EMS program. This analysis funds the federal portion of current level EMS operating expenses from the Preventative Health Block Grant. The legislature should be aware that other options for the use of the block grant, besides the department's request, are available. For a further analysis of the use of the Preventative Health Block Grants, refer to the Preventative Health Block Grant Section.

If the legislature wishes to keep the EMS program at its current level, any reduction in the funding from the Preventative Health Block Grant will have to be offset with general funds.

CENTRAL SERVICES

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	27.50	28.58	28.50	28.50	1.7
<u>Fund Source</u>					
General Fund Approp.	\$314,040	\$292,316	\$398,524	\$382,081	28.7
Other Funds Approp.	<u>343,735</u>	<u>544,121</u>	<u>436,957</u>	<u>418,928</u>	<u>(3.6)</u>
Total Funds	\$657,775 =====	\$836,437 =====	\$835,481 =====	\$801,009 =====	9.5 ===

Expenditures by Object

Personal Services	\$513,253	\$637,143	\$624,011	\$623,117	8.4
Operating Expenses	119,722	192,574	210,740	177,013	24.2
Equipment	<u>24,800</u>	<u>6,720</u>	<u>730</u>	<u>879</u>	<u>(94.8)</u>
Total Expenditures	\$657,775 =====	\$836,437 =====	\$835,481 =====	\$801,009 =====	9.5 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. General Fund to Replace Indirect Costs				
Option a.	\$421,918	\$(421,918)	\$404,510	\$(404,510)
2. Workshop for Local Registrars				
Option a.	\$ 10,450	\$ -0-	\$ 10,450	\$ -0-
Option b.	10,450	-0-	-0-	-0-

This program provides the personnel, accounting, planning, and public information services of the department. The records and statistics bureau maintains vital statistics such as births and deaths.

Current Level Adjustments

The contracted services base was increased from \$60,805 to \$114,715 primarily due to three factors:

1. A one-time audit cost of \$39,300 is budgeted in fiscal 1984.
2. Insurance costs have increased \$9,470.
3. One-time printing costs of \$5,000 are included in fiscal 1984 to print birth and death certificate forms.

Rent is decreased from \$51,324 to \$42,414 because the rent from the Director's Office is now included in the Director's Program. Repair is increased \$2,000 over the fiscal 1982 base because there was no maintenance contract for the equipment in records and statistics in fiscal 1982 until a portion of fiscal 1982 had passed.

The recharge line item was eliminated from the budget. When this item is included, it approves expenditure abatement with revenues received from other units for services this division had provided. These revenues were received in fiscal 1982 for data processing services provided by this division for other department programs. This function is now included in the Director's Office and operates from a revolving account.

The FTE is increased by 1.0 over the 1982 base. A grade 7 position was transferred from the Maternal and Child Health Program into this program in fiscal 1983 when federal funds decreased. At the same time a current level grade 15 FTE in this program was reclassified as a grade 8. The two positions, grade 8 and grade 7, cost less than the grade 15 position deleted. The net savings is approximately \$2,500 per year, even though the FTE level increases by one FTE.

Vacancy Savings

Vacancy savings in fiscal 1982 was 2.9 percent. However, a position was left open for a period of time while it was being reclassified into a lower grade position. Assuming this position had been filled all year (and not vacant due to reclassification), the vacancy savings would have been approximately 1 percent. A 1 percent vacancy savings is recommended for the 1985 biennium.

Issue 1: General Funds to Replace Indirect Cost

The department requests that general fund replace indirect costs received from grants for administrative costs at a general fund cost of approximately \$415,000 per year. The department proposes that if total general funding is approved, all revenue from indirect costs would be deposited into the general fund which would offset the appropriated general fund cost.

This proposal has two points which are potential costs to the general fund in the future.

1. If federal grants decrease in the future, the administrative costs will also decrease. If this division is totally general funded, administrative personnel will not necessarily be laid off. Positions which previously provided administrative support for a federal program could be kept on board at general fund expense even though the grant workload may decrease or be eliminated altogether.

2. Currently, this division receives federal spending authority. The funds are to come from indirect costs received from federal grants. The department negotiates this funding amount from the federal government. Federal spending authority is of no use unless federal funds are received. Thus, if this program is totally general funded, the incentive to negotiate the highest possible indirect cost rate is lost. Because these revenues are proposed to be deposited into the general fund, any loss of revenue would be at the expense of the general fund.

OPTIONS

Option a: Fund this program as requested by the department. The general fund appropriation must increase \$421,918 in fiscal 1984 and \$404,510 in fiscal 1985 if the indirect costs are deposited directly into the general fund.

Option b: Keep the general fund at the same percentage as it was in fiscal 1982. In this way, general fund does not pick up any federal expenditures or decrease the incentive to negotiate a necessary indirect cost rate. This option is included in the current level budget.

Issue 2: Workshop for Local Registrars

The department is responsible for supervision of county registrars, and requests general funds to conduct a two-day training workshop each year of the biennium. There are 62 local registrars. About 12 are new each year. It is proposed that all 62 attend the workshop each year for training in uniform filing of vital statistics.

It should be noted that the department requested this addition to its current level base even though it is a new service. All new program requests are supposed to be submitted as a "modified" so the legislature is aware that a new program is requested.

The cost of the workshops is \$10,450 of general fund each year.

OPTIONS

Option a: Fund the workshop as requested at a general fund cost of \$10,450 per year.

Option b: Fund one workshop during the biennium at a general fund cost of \$10,450.

Option c: Do not fund the workshop.

DIRECTOR'S OFFICE

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	12.50	12.50	12.50	12.50	0.0
<u>Fund Source</u>					
General Fund Approp.	\$106,824	\$207,709	\$131,553	\$132,563	(16.0)
Other Funds Approp.	363,624	608,802	447,976	451,415	(8.4)
Funds Budget Amended	<u>9,628</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$480,076 =====	\$816,511 =====	\$579,529 =====	\$583,978 =====	(10.2) =====
<u>Expenditures by Object</u>					
Personal Services	\$325,332	\$501,854	\$379,056	\$378,431	(8.4)
Operating Expenses	62,388	92,209	78,497	83,826	4.9
Equipment	<u>6,003</u>	<u>1,500</u>	<u>1,134</u>	<u>879</u>	<u>(73.1)</u>
Total Operating Costs	\$393,723	\$595,563	\$458,687	\$463,136	(6.8)
Non-Operating Expend.	<u>86,353</u>	<u>220,948</u>	<u>120,842</u>	<u>120,842</u>	<u>(21.3)</u>
Total Expenditures	\$480,076 =====	\$816,511 =====	\$579,529 =====	\$583,978 =====	(10.2) =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding from Block Grants				
Option a.	\$315,019	\$(315,019)	\$315,019	\$(315,019)

This program was separated from the Central Services Division during the past biennium. It includes the director and his staff, the Board of Health expenses, the department's Data Processing Unit, and the department Film Library. Both the Data Processing Unit and the Film Library operate from a revolving account. The users pay fees sufficient to cover the cost of both operations.

Current Level Adjustments

The current level base includes the following adjustments. A budget amended program for noise control was removed from the base totalling

\$9,628 in federal funds. Communications was reduced slightly as requested by the department. Rent was increased to reflect total rent including office space, because it was previously recorded in the Central Services Division budget.

Equipment was included as requested which is for a video tape recorder in fiscal 1984 and an IBM typewriter in fiscal 1985. Both of these items are for the Film Library.

A 10 percent vacancy savings rate was realized in fiscal 1982, but positions were filled 99 percent of the fiscal year when the budgeted 1982 figure is compared to actual. Apparently, this program originally budgeted more authority than was needed. Because there was very little turnover in fiscal 1982, no vacancy savings was taken.

The grants to counties are essentially pass-through funds from the department to county health departments to support preventive health activities at the local level. Currently, these funds are distributed based on a formula that consider a county's land area and population.

Issue 1: Funding from the Preventative Health and Maternal and Child Health Block Grants

This program is requesting to receive funding from 10 percent of the Maternal and Child Health (MCH) Block Grant and the Preventative Health Block Grant. As with all other programs in which the department proposes the expenditure of block grant funds, the legislature should be aware that other funding options exist. For a detailed review of these options, please refer to the section discussing each block grant.

OPTIONS

Option a: Fund a portion of the Director's Office expenses with the block grants. The block grant language allows the department to use 10 percent of the Preventative Health and Maternal and Child Health Block Grant for administrative costs.

Option b: Do not use the block grants as a funding source. Before deciding to replace these federal funds with general fund, the grants proposed by the department should be carefully examined by the legislature.

HEALTH PLANNING

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	14.75	11.30	4.00	4.00	(85.0)
<u>Fund Source</u>					
General Fund Approp.	\$110,723	\$130,753	\$138,598	\$146,914	18.2
Other Funds Approp.	<u>347,812</u>	<u>231,295</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$458,535</u>	<u>\$362,048</u>	<u>\$138,598</u>	<u>\$146,914</u>	<u>(65.2)</u>
<u>Expenditures by Object</u>					
Personal Services	\$297,696	\$273,583	\$ 99,110	\$ 98,745	(65.3)
Operating Expenses	148,595	87,565	39,488	48,169	(62.8)
Equipment	<u>-0-</u>	<u>900</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$446,291	\$362,048	\$138,598	\$146,914	(64.6)
Non-Operating Expend.	<u>12,244</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$458,535</u>	<u>\$362,048</u>	<u>\$138,598</u>	<u>\$146,914</u>	<u>(65.2)</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. General Funding				
Option a.	\$250,000	\$ -0-	\$ 250,000	\$ -0-
Option b.	(138,598)	-0-	(146,914)	-0-

This program operates the state health planning efforts and administers the "certificate of need" law. The planning efforts are undertaken in conjunction with the federal Health Systems Agency (HSA). Together, these groups examine the adequacy of existing facilities and the need for additional health care facilities, equipment, and professional services. The results are released in a state health plan every other year.

The Certificate of Need Program requires any medical facility planning construction exceeding \$150,000 or adding or substantially increasing services to have the Health Department's approval.

Adjustments to Current Level

Because the department anticipates this program will lose its federal funding, the budget has been reduced proportionately to reflect a program supported only by current level general fund. The FTE level was reduced to four at an average grade of 14; all operating expenses were reduced to fit within the current general fund support.

Issue 1: Request for General Funding

This program previously received a majority of its funding from the federal government. Because these federal funds are no longer available, the department requests this program be funded from the general fund.

Over the past several years, the state has basically incorporated the federal health planning functions and certificate of need program into the state statutes. These laws require any medical facility which plans construction exceeding \$150,000 or adding or substantially increasing services to have health department approval. The underlying purpose of the law was to prevent duplication of services and equipment which would raise the costs of health care.

OPTIONS

Option a: Continue the current level health planning effort with total general fund support. This option is at a general fund cost of approximately \$250,000 per year and would support a total of 10.3 FTE.

Option b: Eliminate the health planning function. If the legislature does not choose to fund this program with general fund, the current statutes (MCA, Section 50, Chapter 5) should be amended to match with the legislative intent. This would save \$138,598 in general fund in fiscal 1984 and \$146,914 in fiscal 1985.

Option c: Continue the general fund at current level.

FOOD & CONSUMER SAFETY

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
TE	10.00	10.00	10.00	10.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$399,901	\$472,763	\$482,833	\$487,740	11.2
Other Funds Approp.	<u>41,221</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$441,122 =====	\$472,763 =====	\$482,833 =====	\$487,740 =====	6.2 ===
<u>Expenditures by Object</u>					
Personal Services	\$238,321	\$284,738	\$287,640	\$287,227	9.9
Operating Expenses	82,819	68,000	75,475	80,795	3.6
Equipment	<u>564</u>	<u>600</u>	<u>300</u>	<u>300</u>	<u>(48.4)</u>
Total Operating Costs	\$321,704	\$353,338	\$363,415	\$368,322	8.3
Non-Operating Expend.	<u>119,418</u>	<u>119,425</u>	<u>119,418</u>	<u>119,418</u>	<u>0.0</u>
Total Expenditures	\$441,122 =====	\$472,763 =====	\$482,833 =====	\$487,740 =====	6.2 ===

This bureau has responsibility for the health inspection and licensing of restaurants, hotels, motels, and trailer courts. It also provides technical support for local mosquito management and local sanitarians.

During Special Session I, the federal spending authority of \$36,000 in fiscal 1983 for grain elevator inspections was replaced with general funds when the federal dollars did not materialize. At that time, this program became totally general funded. The current level analysis is also totally funded from the general fund.

Current Level Adjustments

The adjustments made to the 1982 actual expenditure base reflect the department's request for a reduction of the spending base. In the case of rent, it was increased to reflect the actual rent of the Cogswell Building space and the field office in Billings.

Vacancy Savings

No vacancy savings was taken against this program due to the small number of FTE and the small amount of turnover experienced in fiscal 1982.

SOLID WASTE MANAGEMENT

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	11.00	5.95	5.95	5.95	0.0
<u>Fund Source</u>					
General Fund Approp.	\$ 53,271	\$ 68,327	\$ 73,736	\$ 75,437	22.6
Other Funds Approp.	712,931	941,556	978,795	1,000,125	12.2
Funds Budget Amended	<u>355,695</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$1,121,897 =====	\$1,009,883 =====	\$1,052,531 =====	\$1,075,562 =====	0.1 ===
<u>Expenditures by Object</u>					
Personal Services	\$ 237,635	\$ 149,740	\$ 152,806	\$ 152,579	(21.1)
Operating Expenses	86,412	136,281	157,670	160,968	43.0
Equipment	<u>15,012</u>	<u>1,767</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$ 339,059	\$ 287,788	\$ 310,476	\$ 313,547	0.4
Non-Operating Expend.	<u>782,838</u>	<u>722,095</u>	<u>742,055</u>	<u>762,015</u>	<u>0.0</u>
Total Expenditures	\$1,121,897 =====	\$1,009,883 =====	\$1,052,531 =====	\$1,075,562 =====	0.1 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Hazardous Waste Program	\$51,250	\$155,000	\$52,000	\$157,000
2. Additional FTE	\$ 1,039	\$ -0-	\$ 1,039	\$ -0-

The bureau is responsible for all solid waste disposal (landfills) and the Junk Vehicle Program. The Solid Waste Program is currently funded entirely from the general fund. The Junk Car Program is funded from

earmarked revenues. Last regular session, language was included in HB 500 which stated:

"No funds are appropriated for the hazardous waste program. However, the department may budget amend Federal spending authority for the hazardous waste program if these Federal Funds become available and no additional general fund is requested."

These federal funds did become available, and \$476,489 in federal spending authority over the biennium was added by budget amendment to begin this program. Although a general fund match was required, the department was allowed by the federal government to use its general fund expenditure in the Solid Waste Program as match to accept the federal funds for the hazardous waste program. This program is requested to continue and is addressed in greater detail under Issue 1.

Current Level Adjustments

Several adjustments were made to this program's base. First, the budget-amended FTE and expenses for the Hazardous Waste Program were removed. This totalled \$155,695 in fiscal 1982. Another \$200,000 was removed because it was used for a resource recovery grant from the renewable resource earmarked funds and does not represent an ongoing cost. The base was reduced for contracted services, rent, and other expenses as was requested by the department. The requested reductions totaled \$6,716. One hundred and three thousand dollars was added in fiscal 1984 and 1985 to allow the department to contract for car crushing for the Junk Vehicle Program if it becomes necessary. \$412,000 was added in fiscal 1984 to allow for a one-time mailout due to rule changes. Grants to counties for the Junk Vehicle Program were increased as requested by the department.

No vacancy savings was taken due to the small number of FTE.

Issue 1: Hazardous Waste Program

This request is for a general fund match to receive federal funds to continue a federal Hazardous Waste Disposal Program that was started during fiscal 1982 by budget amendment. This program is designed to monitor hazardous (nonradioactive) wastes from the point of generation to the point of disposal, including all modes of transportation in between.

The program was funded by the federal government during the 1983 biennium with current level general fund being used for the 25 percent match. This would be a general fund cost of approximately \$52,000 each year of the biennium. These funds would match approximately \$152,000 in federal funds each year and would support a staff of 5.0 FTE.

Two points should be noted regarding this program. (1) A request for a Hazardous Waste Program was made of the last legislature. That request totalled approximately \$225,000 per year, of which a 25 percent general fund match was requested. The request was denied. (2) If the state does not approve a general fund match for this program, it will be operated by the federal government within the state. This same condition existed last regular session and the general fund match was denied, but language was placed in the appropriations bill to allow federal funds to be budget-amended as long as no additional general fund was required. These federal funds did in fact become available during the interim with current level general fund being accepted as the required match.

OPTIONS

Option a: Fund the program as requested. This would expand the program and require a general fund match of approximately \$52,000 in each year of the biennium. Federal funds of \$155,000 in fiscal 1984 and \$157,000 in fiscal 1985 would also be included in this option.

Option b: Do not fund the program. The control of this program would then remain with the federal government or be contracted to the state as was done in the 1983 biennium.

Issue 2: Additional FTE

Current level staff of the Solid Waste Bureau is 5.95 FTE. The department requests an increase to six FTE. The increased position would be a 0.05 FTE secretary III. This increase in FTE would be at a general fund cost of \$1,039 per year. No documentation of increased work load was provided.

OPTIONS

Option a: Increase the FTE by 0.05 at a general fund cost of \$1,039 per year.

Option b: Keep the FTE at current level of 5.95 FTE.

AIR QUALITY

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	23.50	23.50	17.50	17.50	(25.5)
<u>Fund Source</u>					
General Fund Approp.	\$ 266,277	\$ 276,693	\$283,478	\$290,670	5.7
Other Funds Approp.	734,718	776,316	534,654	539,490	(32.9)
Funds Budget Amended	<u>125,255</u>	<u>90,000</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$1,126,250 =====	\$1,143,009 =====	\$818,132 =====	\$830,160 =====	(27.3) =====
<u>Expenditures by Object</u>					
Personal Services	\$ 475,143	\$ 587,676	\$483,738	\$483,320	(9.0)
Operating Expenses	550,703	455,808	232,436	245,840	(52.4)
Equipment	<u>-0-</u>	<u>5,100</u>	<u>6,958</u>	<u>6,000</u>	<u>154.0</u>
Total Operating Costs	\$1,025,846	\$1,048,584	\$723,132	\$735,160	(29.7)
Non-Operating Expend.	<u>100,404</u>	<u>94,425</u>	<u>95,000</u>	<u>95,000</u>	<u>(2.4)</u>
Total Expenditures	\$1,126,250 =====	\$1,143,009 =====	\$818,132 =====	\$830,160 =====	(27.3) =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Request for General Fund				
Option a.	\$(6,785)	\$ -0-	\$(13,977)	\$ -0-
Option b.	14,047	(14,047)	14,889	(14,889)

The Air Quality Bureau is responsible for the development and enforcement of state and federal air quality standards. Activities include baseline air quality studies, basic air monitoring statewide, analysis and granting of variances, and enforcement. The department anticipates a large reduction in federal funds for this program.

Current Level Adjustments

The agency requests that six FTE be reduced primarily due to the ending of the Flathead Basin Environmental Baseline Data Study.

This budget analysis portrays option (c) of Issue 1 (see below). This option assumes general fund increases 6 percent over the appropriated 1983 general fund for fiscal 1984. The 1985 general fund is at the level requested by the department because it was an increase of less than 6 percent. However, because the agency has reported federal funding is to be held constant at a lower level than now received, the overall costs of this program must be reduced to account for the reduced funding. The agency's request was used for personal services which includes a reduction of five FTE. The agency request was also used for grants for air monitoring around the state to locals and equipment for this monitoring. All other line items were reduced to match the available funding.

No vacancy savings was taken because all positions that were vacant in 1982 are requested to be deleted by the department.

Issue 1: Request for General Fund

The basic issue in this program is whether general funds will replace declining federal funds, and if so, at what level.

The Legislature should be aware that to receive the federal funds from EPA, the department must provide a general fund match equal to the general fund expenditures in the prior fiscal year.

OPTIONS

Option a: Keep the general fund at \$276,693, the minimum amount necessary to receive federal EPA funding. Because this option reflects no increase in general fund and a reduction in federal funds, program costs must be reduced to match available funding.

Option b: Fund this program as requested. The department requests that general funds be used to replace a portion of lost federal funds. If option (b) is chosen, it will provide the level of services requested by the department. It also requires that general fund be maintained at a higher level, at least through 1986, due to the "maintenance of effort requirement" that general funds must equal the prior year's level.

Option c: Maintain general fund at current level. This option increases the general fund 6 percent over the 1983 level of basic services. This option is included in the current level analysis. Because the agency reports that federal funds will be reduced substantially, the program costs were reduced to match available funds. This option would continue general fund support of the base level services funded last biennium. This option does not include general fund to replace declining federal funds.

OCCUPATIONAL HEALTH

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	8.00	4.00	4.00	4.00	0.00
<u>Fund Source</u>					
General Fund Approp.	\$101,922	\$160,096	\$159,563	\$161,057	22.3
Other Funds Approp.	93,600	-0-	-0-	-0-	(100.0)
Funds Budget Amended	<u>127,336</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$322,858 =====	\$160,096 =====	\$159,563 =====	\$161,057 =====	(33.6) =====
<u>Expenditures by Object</u>					
Personal Services	\$160,815	\$125,041	\$127,076	\$126,886	(11.1)
Operating Expenses	100,499	35,055	32,487	34,171	(50.8)
Equipment	<u>61,544</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$322,858 =====	\$160,096 =====	\$159,563 =====	\$161,057 =====	(33.6) =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Additional General Fund				
Option a.	\$95,000	\$ -0-	\$95,000	\$ -0-
Option b.	-0-	208,000	-0-	221,000
2. Equipment Repair	\$17,009	\$ -0-	\$ 2,959	\$ -0-
3. Licensing Program				
Option a.	\$50,000	\$ -0-	\$50,000	\$ -0-
Option b.	50,000	-0-	-0-	50,000

This program monitors radiation risks and provides technical assistance for removing hazardous pollutants from work places. Primary emphasis over the past several years has been focused on the Butte-Anaconda area where radon gas is being emitted from the ground. In addition, this program has received federal funds from the Environmental Protection Agency and from HUD and FHA for checking homes for radiation. The bureau does not anticipate any federal funds will be available in the 1985 biennium.

Current Level Adjustments

The department requests that this program be entirely general funded due to the uncertainty of federal funds. (Also see Issue 1 below.) However, during the base year, fiscal 1982, this program's actual expenditures included \$220,936 from federal funds.

Only the general fund expenditures made in fiscal 1982 are continued into the 1985 biennium. General fund increases significantly as there was considerable lag in filling positions in fiscal 1982. No federal program costs are assumed by the general fund as the federal funds drop off.

No vacancy savings is anticipated due to the small number of FTE.

Issue 1: Request for Additional General Fund

Last session, this program was given no federal spending authority in fiscal 1983 because of the testimony regarding the uncertainty of federal funds. As of September 30, 1982 (after first quarter of fiscal 1983) the program has already budget amended federal funds totalling \$122,606 and added 3.0 FTE in the fiscal 1983 program budget. These amendments nearly double the size of the program.

The department again requests that the program be entirely general funded because of the uncertainty of federal funds. However, the program's general fund request is for an expanded base, which requests 46 percent increase in the general fund over the actual 1982 general fund expenditures, before inflation factors are applied. Taking into account that this program had an open position for an extended period, personal services expenditure were less than budgeted. Even when this situation is accounted for, general fund is requested to increase 24 percent (\$44,880) before inflation factors are applied. This budget analysis reflects a continuation of the current level general fund programs and includes no expansions in the base.

This proposed base program expansion should be thoroughly explained by the department because this entire program has historically been supported mostly with federal funds. It appears the department now requests the program be expanded with general fund.

Two of the three federal budget amendments were from FHA (Federal Housing Authority) and HUD (Department of Housing and Urban Development). These funds were for monitoring of radiation levels in homes in the Butte-Anaconda area which were to be financed by HUD or FHA. The department should address why these funds are no longer anticipated, as they have been received for at least the last four years, and why the state should maintain a program started and continued through budget amendments.

OPTIONS

Option a: Fund the program totally with general fund as requested. This results in general fund assuming costs that were supported with federal funds in the past. This option increases general fund to this unit by approximately \$95,000 per year for a total general fund cost of approximately \$180,000 per year.

Option b: Keep the program funded as it received funds in fiscal 1982. This option assumes federal funds for housing inspections will be received as they were received in fiscal 1980-82. If the federal funds do not materialize, it is assumed the program will reduce accordingly.

Option c: Fund with only general fund, at its current level. This option assumes no federal funds will be received, and maintains this unit at its current general fund level. This option is included in our analysis.

Issue 2: Equipment Repair

Included in the department's request is \$17,430 in fiscal 1984 and \$3,400 in fiscal 1985 for equipment repair. A majority of this amount (\$14,000) is to repair a part of a gamma spectrometer, a machine which analyzes samples for radioactive decay. The type of radioactive element and amount of contamination are identified with this machine. The work load for this machine varies with the program activities, but the machine is essential to identify and quantify sources of radioactive decay.

OPTIONS

Option a: Authorize and fund equipment repair as requested. The additional cost of this option is \$17,009 in fiscal 1984 and \$2,959 in fiscal 1985.

Option b: Maintain the repair budget at current level. The machine has been unusable for approximately one and one-half years and has been done without during most of the past biennium. This option is included in the current level analysis.

Issue 3: Licensing Program

Last regular session there was much discussion regarding the laws which describe this program's functions. It was the legislature's decision that a licensing program for users of radioactive substances was not a mandatory function under the current law. The agency again requests a licensing program be funded. It would cost approximately \$50,000 per year from the general fund.

Because this issue has risen during at least the past two sessions, the Legislative Legal Counsel was requested to review the current statutes. It is the opinion of the Legislative Legal Counsel that the department is required by Section 75-3-202, MCA, to develop and implement a licensing program. If the legislature chooses not to fund this program, this section of law should be amended to remove the requirements of the department regarding a licensing program.

OPTIONS

Option a: Approve the agency's request for a licensing program at a cost of approximately \$50,000 general fund per year and support one FTE.

Option b: Approve the department's request for a licensing program. However, require that the program be supported from fees generated from those receiving licenses. General fund of approximately \$50,000 may be necessary in the initial year of the program to establish the cash flow from licenses.

Option c: Do not fund the program, and change the law which requires the department to license the users of radioactive substances.

WATER QUALITY BUREAU

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	42.50	42.50	33.25	33.25	(21.7)
<u>Fund Source</u>					
General Fund Approp.	\$ 233,995	\$ 288,841	\$ 224,243	\$ 227,888	(13.5)
Other Funds Approp.	1,181,604	1,449,244	1,132,051	1,151,394	(13.2)
Funds Budget Amended	<u>22,448</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$1,438,047</u>	<u>\$1,738,085</u>	<u>\$1,356,294</u>	<u>\$1,379,282</u>	<u>(13.8)</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 926,282	\$1,124,515	\$ 923,082	\$ 922,187	(10.0)
Operating Expenses	261,578	390,673	318,202	340,492	0.9
Equipment	<u>7,680</u>	<u>12,897</u>	<u>2,142</u>	<u>3,900</u>	<u>(70.6)</u>
Total Operating Costs	\$1,195,540	\$1,528,085	\$1,243,426	\$1,266,579	(7.8)
Non-Operating Expend.	<u>242,507</u>	<u>210,000</u>	<u>112,868</u>	<u>112,703</u>	<u>(50.1)</u>
Total Expenditures	<u>\$1,438,047</u>	<u>\$1,738,085</u>	<u>\$1,356,294</u>	<u>\$1,379,282</u>	<u>(13.8)</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. General Fund Request	\$83,000	\$(83,000)	\$85,000	\$(85,000)

This program is responsible for safe public drinking water, monitoring of water pollution and enforcement of water pollution control laws, administration of Waste Water Construction Grants Program, and water quality planning for the state. Some of these programs are totally federally funded, and some receive general fund for a required match to be eligible for federal funds. Currently, none of these programs are totally general funded.

Current Level Adjustments

The FTE in this bureau were reduced by 9.25 as the department requested. Five of these positions were vacant for most of fiscal 1982. Most of these reductions are due to an anticipated reduction of federal funding.

Contracted services was increased by \$26,646. This increase reflects a change in the funding method for the chemistry lab. The chemistry lab's budget affects the Water Quality budget because the lab previously used a portion of EPA funds awarded to Water Quality. However, in the past, the lab used these funds regardless of the work load of the Water Quality Bureau. Because of this funding arrangement, there was no charge made for samples submitted by Water Quality. Budgeting for lab work under contract services will allow the Water Quality Bureau to more accurately reflect their program costs, and the lab will receive payment in relation to the work performed. (Also see issues under lab write-up.)

Travel was increased \$1,417 to account for increased field inspections of waste water construction facilities that were funded over the past several years through grants and are now being completed. Four line items were reduced a total of \$4,071 according to the department requests.

Grants were reduced to \$112,868 from \$235,711 to reflect an anticipated decrease in federal funding. Grants go to local units of government for specific water quality planning projects, such as for soil conservation planning.

Vacancy Savings

This program experienced a vacancy savings of more than 10 percent in fiscal 1982 because five positions were held open when federal funds did not materialize. A 3.5 percent vacancy savings factor is recommended for the 1985 biennium.

Issue 1. Water Quality Management Program Request For General Fund

Because of a change in federal funding, the department is unsure of the amount of federal funds that will be available in this program. In addition, the program functions are shifting from water quality planning (baseline studies, etc.), towards one of concentration on known, existing problem areas.

To account for this uncertainty, the department requests this program be totally general funded, while reducing the level of the program from \$327,000 in fiscal 1982 to \$167,000 in fiscal 1984.

The legislature should be aware that federal funding for this program is almost a certainty, but the amount is unknown at the time of this analysis. This information will be available by session. There is no match requirement to receive the federal funds involved.

OPTIONS

Option a: Replace federal funds with general fund. This will cost \$83,000 in fiscal 1984 and \$85,000 in fiscal 1985.

Option b: Maintain current level funding as shown in the analysis which continues the general fund and federal fund at their same proportionate share.

SUBDIVISIONS BUREAU

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	4.00	4.00	4.00	4.00	0.0
<u>Fund Source</u>					
Other Fund Approp.	<u>\$215,926</u>	<u>\$239,622</u>	<u>\$213,960</u>	<u>\$216,643</u>	<u>(5.4)</u>
Total Funds	<u>\$215,926</u> =====	<u>\$239,622</u> =====	<u>\$213,960</u> =====	<u>\$216,643</u> =====	<u>(5.4)</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$132,175	\$108,859	\$109,427	\$109,267	(9.2)
Operating Expenses	40,167	30,763	43,089	46,376	26.1
Equipment	<u>123</u>	<u>-0-</u>	<u>444</u>	<u>-0-</u>	<u>260.9</u>
Total Operating Costs	\$172,465	\$139,622	\$152,960	\$155,643	(1.1)
Non-Operating Expend.	<u>43,461</u>	<u>100,000</u>	<u>61,000</u>	<u>61,000</u>	<u>(14.9)</u>
Total Expenditures	<u>\$215,926</u> =====	<u>\$239,622</u> =====	<u>\$213,960</u> =====	<u>\$216,643</u> =====	<u>(5.4)</u> =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Fee Increase				
Option a.	\$ -0-	\$(38,960)	\$ -0-	\$(41,643)
Option b.	38,960	-0-	41,643	-0-
2. Additional FTE				
Option a.	\$85,000	\$ -0-	\$85,000	\$ -0-
Option b.	-0-	85,000	-0-	85,000

This bureau is responsible for the approval of water and sewer systems on nonagricultural use parcels less than 20 acres in size. The bureau is entirely funded from revenues received from land subdividers. The Subdivision Bureau was originally housed within the Water Quality Bureau until 1975, when it was allowed to charge a fee for plot review. The current review fee is \$30 per plot with \$20 designated to go to the county when the county reviews subdivisions. These are reflected as nonoperating

expenses. The county only reviews subdivisions when the proposed subdivision is less than five plots. If there is no county assistance, the \$30 goes to the Subdivision Bureau.

Current Level Adjustments

Many adjustments were made to the 1982 actual base. The contracted services base was increased by \$2,928 for microfilming subdivision review applications. Although these had been filmed in the past, the Water Quality Bureau had absorbed the costs because the Water Quality Bureau owned the equipment. Because the equipment is worn out, it is no longer being used. Thus, the Subdivision Bureau must contract for these services.

All other adjustments to the base reflect a reduction in expenditures as requested by the department.

Areas of concern

The legislature may want to discuss the following policies concerning the Subdivision Program.

1. Should the state be in the subdivision review process?
2. What is a reasonable work load per staff FTE?
3. Is 4 FTE sufficient to handle the current level work load?

Issue 1: Fee Increase

The department terminated the subdivision review personnel during November, 1982 due to a lack of funds. Last session, the department requested a fee increase from \$25 per plot to \$40 per plot. The fee was increased from \$25 to \$30, but the increase was designated to go to the county when the county provided assistance in the review.

Subdivision revenue received in fiscal 1981 was \$175,983 and in fiscal 1982 was \$176,402. Without a significant increase or decrease in subdivision activity, the revenue needs to be increased approximately 25 percent for each year in the 1985 biennium.

Several options are available.

OPTIONS

Option a: Do not increase the fees. A staff of less than 4 FTE can be supported with the current fee revenue. The budget would be reduced \$38,960 in fiscal 1984 and \$41,643 in fiscal 1985.

Option b: Supply general fund to the program to support the current level in lieu of a fee increase. This would cost \$38,960 in fiscal 1984 and \$41,643 in fiscal 1985.

Option c: Allow a fee increase to support the current level staff of 4 FTE so that funding method remains consistent with prior years. This is assumed in the current level.

Issue 2: Additional FTE

The department requests general funding of approximately \$85,000 per year to support two additional FTE. These FTE are anticipated to perform on-site follow-up inspections of sewer and water systems in subdivisions on a random basis to insure that builders are actually putting water and sewer systems in according to the plans that were approved. This service is not now being performed. Currently, there is no general fund in this bureau.

OPTIONS

Option a: Fund the FTE as requested at a general fund cost of \$85,000 per year.

Option b: Raise the review fee sufficient to cover the cost of these subdivision compliance reviews.

Option c: Deny this request for new services.

ENVIRONMENTAL HEALTH ADMINISTRATION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	4.00	3.00	3.00	3.00	(14.2)
<u>Fund Source</u>					
General Fund Approp.	\$ 85,610	\$ 93,262	\$ 26,650	\$ 26,822	(70.1)
Other Funds Approp.	<u>44,952</u>	<u>19,390</u>	<u>86,758</u>	<u>87,315</u>	<u>170.5</u>
Total Funds	<u>\$130,562</u>	<u>\$112,652</u>	<u>\$113,408</u>	<u>\$114,137</u>	<u>(6.4)</u>
<u>Expenditures by Object</u>					
Personal Services	\$116,466	\$ 93,389	\$ 99,210	\$ 99,045	(5.5)
Operating Expenses	<u>14,096</u>	<u>19,263</u>	<u>14,198</u>	<u>15,092</u>	<u>(12.1)</u>
Total Operating Costs	<u>\$130,562</u>	<u>\$112,652</u>	<u>\$113,408</u>	<u>\$114,137</u>	<u>(6.4)</u>

This program provides administrative support for the following bureaus: Food and Consumer Safety, Solid Waste Management, Subdivisions, Air and Water Quality, and Occupational Health. These bureaus make up the Environmental Sciences Division.

The funding for this program is allocated to the general, earmarked, and federal accounts in the same proportion the Environmental Sciences Division actually spent these funds in fiscal 1982. This reallocation resulted in a 70 percent decrease in general fund, with a corresponding increase in other funds. Using this method, the general fund supports the administrative services in proportion to its share of the expenditures made.

Current Level Adjustments

The number of FTE decrease by 1.0 due to a transfer to the Management Services Division. Contracted services were reduced \$1,005 in accordance with the department's request.

Vacancy Savings

No vacancy savings is recommended for this program because it has only three FTE.

LABORATORY

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	19.00	19.00	19.00	19.00	0.0
<u>Fund Source</u>					
General Fund Approp.	\$350,181	\$378,834	\$407,228	\$410,224	12.1
Other Funds Approp.	266,680	258,488	250,627	261,090	(2.5)
Total Funds	\$616,861 =====	\$637,322 =====	\$657,855 =====	\$671,314 =====	5.9 ===
<u>Expenditures by Object</u>					
Personal Services	\$404,264	\$436,796	\$459,852	\$459,167	9.2
Operating Expenses	164,836	163,576	198,003	212,147	24.8
Equipment	47,761	36,950	-0-	-0-	(100.0)
Total Operating Costs	\$616,861 =====	\$637,322 =====	\$657,855 =====	\$671,314 =====	5.9 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Funding Sources	\$153,587	\$(153,587)	\$161,888	\$(161,888)
2. Use of Preventative Block Grant	\$ 34,000	\$ (34,000)	\$ 34,000	\$ (34,000)
3. Repair Request				
Option a.	\$ 20,000	\$ -0-	\$ 20,000	\$ -0-
Option b.	-0-	20,000	-0-	20,000
Option c.	-0-	20,000	-0-	-0-
4. Equipment Request				
Option a.	\$ -0-	\$ 80,766	\$ -0-	\$ 20,800
Option b.	-0-	80,766	-0-	20,800
Option c.	80,766	-0-	20,800	-0-
5. Law changes				
Option a.	\$ 75,000	\$ (75,000)	\$ 75,000	\$ (75,000)
Option b.	20,000	(20,000)	20,000	(20,000)

The laboratory provides lab services for the department. It also provides services directly to the public such as water testing, food analysis, certification of private laboratories, and diagnoses for diseases such as venereal disease and strep throat.

Current Level Adjustments

Only two adjustments were made to the lab's current level base. Contracted services was reduced \$1,418 according to the department's request. Second, the utilities base was increased \$3,164 to reflect the use of additional lab gas for a new piece of equipment that was purchased midway through fiscal 1982.

This unit experienced a vacancy savings of 2 percent in fiscal 1982. A 2 percent vacancy savings is recommended for the 1985 biennium.

Issue 1. Funding Sources

The department requests that the lab be totally funded with general fund and that any fees the lab receives be deposited into the general fund. There are two major problems with this proposal. First, this situation would give the department no incentive to set the fees for services at the actual cost of providing the services, as the laboratory would already have sufficient general fund to operate.

Second, the laboratory would have no incentive to attempt to actually collect revenue, again because the lab would have sufficient general fund to operate.

In both of these situations, the general fund would absorb the loss because payments for lab services would be lower than if the lab depended upon these revenues for operation.

This current level analysis continues the use of the lab's revolving account, and spending authority includes \$153,587 in fiscal 1984 and \$161,888 in fiscal 1985 for the revolving account. These reflect the amounts that can be charged back to users, whether they are the public or federal programs within the department. With this continuation of the revolving account, it is assured that federal or private projects will not be paid for with general fund. The amount of revolving account authority in the analysis is based upon the following two factors.

1. Last session, the department stated (and the legislature approved) that two-thirds of the costs of the chemistry lab could be charged back to users (federal and private). It is assumed the remainder of the chemistry lab's funding will come from general fund.

2. Also, included are specific amounts for water testing to be performed by the microbiology lab for the Water Quality Bureau.

As these two items reflect services that can be charged back to the users, these expenses should be funded by the users.

OPTIONS

Option a: Fund the lab entirely from the general fund and discontinue the lab's revolving account. Thus, when the lab did charge for services, and the charge was paid, the payment would be deposited into the general fund. This option would increase general funds to the lab for a total of \$153,587 in fiscal 1984 and \$161,888 in fiscal 1985.

Option b: Continue the use of the lab's revolving account. This option continues the legislative intent established last session when it was decided the lab was able to charge back two-thirds of the costs of the chemistry lab. Selection of this option would include revolving account authority of \$153,587 in fiscal 1984 and \$161,888 in fiscal 1985. This option is included in the current level analysis.

Issue 2: Use of the Preventative Block Grant

This analysis includes continued funding from the Preventative Health Block Grant at the current level. During the special session, the legislature authorized expenditure of \$34,000 from the Preventative Health Block Grant for personal services. This analysis includes this funding source for fiscal 1984 and fiscal 1985 as part of the lab's funding.

Previously federal 314 (D) funds were used in the laboratory. The Preventative Health Block Grant funds can be used for expenses previously paid with 314 (D) funds. The department does not request use of block grant funds for the lab, but rather requests total general funding. Please refer to the section on the Preventative Block Grant for a listing of all valid uses of the Preventative Health Block Grant.

OPTIONS

Option a: Use the Preventative Health Block Grant for other program options and replace federal funds with general fund in the lab. Please refer to the Preventative Health Block Grant section for other program options. Selection of this option would increase general fund to the lab by \$34,000 in fiscal 1984 and fiscal 1985.

Option b: Continue funding the lab from the Preventative Health Block Grant. The current level budget reflects this option.

Issue 3. Repair and Maintenance Request

The department requests its repair budget base be increased from \$9,963 to \$30,414. Although specific repairs are listed in the budget request, the department requests that higher level of repairs be maintained in fiscal 1985. In other words, the repairs proposed are not one-time expenditures but an ongoing repair program. The department should explain this request for a 305 percent increase in repairs to the subcommittee. This analysis maintains the repair line item at its current level, increased only for inflation.

OPTIONS

Option a: Approve the department's repair request, and fund with general fund. This increases the repair budget by over 300 percent and costs approximately \$40,000 additional general fund dollars over the biennium.

Option b: Approve the department's repair request and provide revolving account spending authority. This expands the base lab costs users will pay.

Option c: Approve revolving account spending authority only, the specific repairs requested in 1984 as a one-time expense, and return to the actual base in fiscal 1985. The cost of this option would be an additional \$20,000 in fiscal 1984 only.

Option d: Maintain the current level repair budget of approximately \$11,000 in fiscal 1984 at the current funding split of general fund and revolving account. This option is included in the current level analysis.

Issue 4. Equipment Request

Last session the department's total request for new lab equipment was approved, totalling \$47,761 in fiscal 1982 and \$36,950 in fiscal 1983. The department spent \$47,761 in 1982 for equipment, but reallocated the entire equipment budget for other operating expenses in fiscal 1983. No equipment purchases are budgeted in fiscal 1983.

Included in the fiscal 1984 equipment request of \$80,766 is \$43,800 for the same equipment approved for purchase in fiscal 1983 by the last legislature. This shifting of spending authority to other line items should be explained to the subcommittee. The lab also requests \$20,800 of equipment in fiscal 1985. This analysis does not include any funds for equipment.

OPTIONS

Option a: Allow the department to purchase all or a portion of equipment as requested, but require that the funds for this equipment come from fees charged to users.

Option b: Allow the department to purchase all or a portion of the equipment requested and provide funding from the Preventative Health Block Grant. Refer to the Preventative Health Block Grant writeup for a listing of the various program options.

Option c: Allow the department to purchase all or a portion of the equipment requested and fund with general fund. The cost of this option is \$101,566 over the biennium. The lab received general fund of \$40,800 in fiscal 1983 for some of the same equipment, but utilized the funds for other operating expenses rather than purchasing equipment approved by the legislature.

Option d: Do not approve any equipment purchases.

Issue 5. Possible Law Changes

There are two problems that relate to a specific section of current law, Section 50-1-202(18), MCA. The law states: "The department shall adopt rules imposing fees for the tests and services performed by the laboratory of the department. In adopting a rule imposing fees, the department may establish only a fee that will reimburse the department for the costs incurred in performing tests and services. All fees shall be deposited in the general fund."

First, the Board of Health has not established a fee for water tests that is sufficient to cover the costs of these tests since at least 1979. As the costs of these tests increases with inflation and the fee is not increased, general fund will be required to replace private revenue for the

cost of these water tests because costs will exceed revenues. It is anticipated there will be a revenue shortfall of at least \$20,000 per year in fiscal 1984 and 1985.

Second, this law requires that all fees collected by the lab be deposited in the general fund. However, since at least 1979, these revenues have been included as a funding source to the lab, and the fees have been deposited in an earmarked revenue account, not in the general fund. If the department follows the law, then these revenue sources cannot be used as funding source for the lab, but rather must be replaced with general fund.

OPTIONS

Option a: Replace these water testing fees with general fund. This option will increase the general fund to the lab by approximately \$75,000 per year and theoretically would require an equal deposit to the general fund.

Option b: Replace the revenue shortfall for water tests with general fund which allows the current fees to remain below the actual costs of providing those tests, and change the law so fees collected will be used in the program rather than deposited to the general fund. This option will cost at least \$20,000 per year, the anticipated shortfall of revenue.

Option c: Amend the law so the fees for water tests are a source of lab funding as has been done for at least two bienniums. If this option is selected, Section 50-1-202(18), MCA, must be amended and the lab must establish fees equal to costs. This is included in the current level budget.

LEGAL SERVICES DIVISION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	8.00	8.00	6.00	6.00	(25.0)
<u>Fund Source</u>					
Other Funds Approp.	\$170,086	\$254,897	\$204,557	\$207,590	(3.0)
Total Funds	\$170,086 =====	\$254,897 =====	\$204,557 =====	\$207,590 =====	(3.0) =====
<u>Expenditures by Object</u>					
Personal Services	\$153,714	\$235,010	\$186,657	\$188,309	(3.5)
Operating Expenses	16,372	19,887	17,900	19,281	2.5
Total Operating Costs	\$170,086 =====	\$254,897 =====	\$204,557 =====	\$207,590 =====	(3.0) =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Funding				
Option a.	\$63,000	\$(63,000)	\$63,000	\$(63,000)
Option b.	-0-	(204,557)	-0-	(297,590)

The Legal Services Division is the department's in-house legal staff which recovers its operating costs from department users on an hourly rate basis.

Current Level Adjustments

The FTE level was reduced by 2.0 lawyer II's, from 8.0 FTE to 6.0 FTE, per the department's request. Both of the deleted positions had been vacant for almost all of fiscal 1982. Contracted services have been reduced from \$2,509 to \$2,445, the department's requested base.

No vacancy savings is recommended for fiscal 1984 and fiscal 1985.

Issue 1: Funding

The department requests that approximately \$63,000 general fund be added each year to fund the division administrator and one secretary. Currently, there is no general fund in this program. All funds are derived from users on an hourly basis.

When all the in-house legal expenses for fiscal 1984 are totaled, the anticipated revenue will not be sufficient to cover this unit's costs. All the budgets in the department include a total of \$192,894 for current level in-house legal services in fiscal 1984 and \$204,467 in fiscal 1985. Our projections show that \$204,557 is necessary in fiscal 1984 and \$207,590 in fiscal 1985 to support the Legal Division entirely from the revolving account. Without a fee increase, revenues will be slightly less than expenditures in both fiscal 1984 and fiscal 1985, and this assumes all legal work will go to the in-house staff and none to the private, specialized legal aid.

It should also be noted that three FTE, or half of this division's staff, have received upgrades or promotions during the past biennium. The upgrades/promotions are shown below.

<u>Was</u>	<u>Grade/Step</u>	<u>Salary</u>	<u>Is</u>	<u>Grade/Step</u>	<u>Salary</u>
Lawyer III	17/4	\$27,212	Lawyer IV	18/4	\$29,698
Lawyer III	17/4	27,212	Lawyer IV	18/4	29,698
Lawyer II	15/2	21,955	Lawyer III	17/6	26,118

The department's proposed solution to this shortfall of revenue is a request for general fund. Although the Legal Division's charge to users is expected to be \$35/hour, when the requested general fund subsidy is included in the actual cost of providing legal services, the total legal fee is approximately \$50/hour. As the Attorney General's Office will provide legal services to agencies for \$35/hour in fiscal 1984 and fiscal 1985, it would be more cost effective to use the attorney general's staff rather than the in-house legal staff at the health department.

OPTIONS

Option a: Fund the Legal Division's administrator and one secretary as requested by the department with \$63,000 general fund in each year of the biennium. This will be the first use of general fund in the Legal Division.

Option b: Do not approve any spending authority or FTE for the Legal Division. Sufficient revenue cannot be generated to support this unit with a fee equal to or less than that to be charged by the Attorney General's Office. This option would require all legal work for the department to be contracted either to the Attorney General's Office, or to the private sector. (Note: Contracts for legal assistance from the private sector must be approved by the legal services review committee.) This would eliminate the in-house legal program for a reduction of revolving fund authority of \$204,557 in fiscal 1984 and \$297,590 in fiscal 1985.

Option c: Fund the Legal Division entirely with revolving account authority. This will probably result in the Legal Division increasing its hourly fees in excess of those being charged by the Attorney General's Office for legal assistance to agencies. This is in the current level budget.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

	-----1985 Biennium-----		
	FTE		
	<u>FY '85</u>	<u>General Fund</u>	<u>Total Funds</u>
Executive Budget	1,095.41	\$133,959,230	\$379,915,987
LFA Current Level	<u>1,033.91</u>	<u>116,151,008</u>	<u>357,412,982</u>
Executive Over (Under) LFA	61.50	\$17,808,222	\$22,503,005
	=====	=====	=====

The executive budget provides for 61.5 more FTE in fiscal 1985 than the LFA current level analysis. The majority of this difference is found in the Social Services Program where the executive budget includes 18.7 more FTE; the Eligibility Determination Program, where the executive budget includes 21.8 more FTE; and the Audit and Program Compliance Program, where the executive budget includes 14.0 more FTE.

The executive budget includes \$17,808,222 more in general fund than the LFA budget. Almost all of this difference is found in five programs: Social Services, Medical Assistance, Audit and Program Compliance, Vocational Rehabilitation, and Developmental Disabilities.

The total executive budget exceeds the LFA budget by \$22,503,005 over the biennium. Ninety-three percent of the difference is found in three programs: Social Services, Medical Assistance, and Developmental Disabilities. Medical benefits in the executive budget exceed LFA benefits by \$12,721,516; executive budget social service benefits exceed LFA benefits by \$3,477,753; and executive budget developmental disabilities benefits exceed the LFA current level by \$3,223,468.

The following sections discuss major differences in the budget more thoroughly.

Social Services

In the Social Services Program, the executive budget provides for \$4,228,496 more general fund than the current level analysis. Administrative costs in the executive budget are \$484,551 higher than in the LFA analysis. This is due to the LFA current level analysis reducing 18.7 FTE positions which were not filled in fiscal 1982. The executive budget does

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not anticipate transferring 10 percent of the LIEAP block grant to the Social Services Program. The LFA current level analysis continues the 10 percent transfer which allows the Social Service Program to use \$2,075,498 of LIEAP block grant funds rather than general fund. The remainder of the general fund difference results from the increased benefit level in the executive budget, and about \$1,000,000 of general fund for modified requests. The modified requests are for foster homes for emotionally disturbed children and for nursing home pre-screening teams.

Continuing day care rates from the level anticipated by the 1981 Legislature with inflation, results in a 50 cent higher rate than those recommended by the executive.

Eligibility Determination

The executive budget includes 21.8 more FTE than the LFA current level. Positions which were vacant all or most of fiscal 1982 were not continued in current level.

Medical Assistance

Over half of the general fund difference between the executive and the LFA current level is in the Medical Assistance Program, where the difference is \$8,539,619. The reason for the difference in the Medical Assistance Program is twofold. First, the executive budget provides for \$12,721,516 more benefits than the LFA current level over the biennium. Second, the executive budget uses general fund matching rates of 38.82 percent for benefits in both years of the biennium, whereas LFA uses a general fund matching rate of 38.18 percent in fiscal 1984 and 36.31 percent in fiscal 1985. This difference in benefit amounts and benefit rates produces a general fund difference of approximately \$7.74 million. The remainder of the total difference is accounted for by a difference of over \$1,000,000 in operating expenses. The operating expense difference is due in part to LFA current level reductions of \$271,433 for contracts of a one-time nature or no longer required.

Audit and Program Compliance

The executive has added 11 FTE above current level, while the current level budget reduced three FTE positions which were unfilled. Ten

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of the added FTE include five auditors, two financial investigators, and three quality control reviewers.

The executive added about \$920,000 of general fund to provide for flexibility in funding this program. Current level general fund is held consistent with past funding experience.

Vocational Rehabilitation

In the Vocational Rehabilitation Program, both the executive and the LFA current level calls for a total biennium budget of about \$9.5 million. The executive budget funds 22 percent of the program with general fund, whereas the LFA current level funds 12 percent of the program with general fund. This results in the executive having about \$960,000 more general fund in the budget. The department had requested additional general fund to compensate for uncertainties in federal funding for this program.

Developmental Disabilities

The general fund difference in the Developmental Disabilities Program is approximately \$2.9 million. The difference is due to different benefit amounts. The executive budget has provided for \$3.2 million more in benefits than the LFA current level. Included in the executive budget is \$1.6 million for three modified requests not included in the LFA current level. These include \$300,000 for increased DD provider salaries; \$400,000 for foster home rather than group home placements; and \$900,000 for the removal and placement of 16 individuals from Boulder River School and Hospital into community-based settings. The other \$1.6 million difference is due to the executive either including more benefits or higher cost benefits.

Veterans' Affairs

The executive budget recommends transferring the Veterans' Affairs Program to the Department of Military Affairs; the Veterans' Affairs Program is included in LFA current level.

SOCIAL AND REHABILITATIVE SERVICES

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	1,087.34	1,087.34	1,033.91	1,033.91	(4.9)
<u>Fund Source</u>					
General Fund Approp.	\$ 52,493,490	\$ 59,576,525	\$ 56,733,731	\$ 59,417,277	3.6
Other Funds Approp.	23,588,741	25,482,151,	115,883,614	125,378,360	391.6
Non-Approp.	<u>76,693,210</u>	<u>94,838,759</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	<u>\$154,775,441</u>	<u>\$179,897,435</u>	<u>\$172,617,345</u>	<u>\$184,795,637</u>	<u>7.4</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 18,810,033	\$ 21,800,890	\$ 22,004,390	\$ 21,973,986	8.2
Operating Expenses	6,134,714	7,544,131	6,729,847	7,160,609	1.5
Equipment	<u>100,018</u>	<u>23,977</u>	<u>84,194</u>	<u>41,275</u>	<u>1.1</u>
Total Operat. Costs	\$ 25,044,765	\$ 29,368,998	\$ 28,818,431	\$ 29,175,870	6.5
Non-Operating Expend.	<u>127,730,676</u>	<u>150,528,437</u>	<u>143,798,914</u>	<u>155,619,767</u>	<u>7.6</u>
Total Expenditures	<u>\$152,775,441</u>	<u>\$179,897,435</u>	<u>\$172,617,345</u>	<u>\$184,795,637</u>	<u>7.4</u>

The Department of Social and Rehabilitative Services administers programs in the area of human services. Services include assistance payments to recipients of the Aid to Families with Dependent Children Program, foster home services, medicaid and other benefits to the aged and indigent, rehabilitation services for the vocationally and visually handicapped, and community-based placement services for the state's developmentally disabled.

A major portion of funding for the various programs' benefits, and for state administration, comes from federal sources. As of this writing, Congress has not passed a new funding bill in the area of human services. Consequently, funding is based on a continuing resolution holding funding constant at fiscal 1983 levels for many programs. For example, Low Income Energy Assistance Program (LIEAP) funds are held constant at \$10,377,489 annually and the Social Services block grant is held constant at the federal fiscal year grant amount of \$8,459,866. Funding for the Aging Services

Program is also held constant at about \$3,800,000 annually. Other capped funding sources include Rehabilitation Act funds, the Community Services Block Grant, and Titles IV-E (foster care) and IV-B (child welfare) of the Social Security Act. AFDC, food stamp, and medicaid funding remain open-ended, although the federal medicaid matching rate for Montana appears to be dropping in the 1985 biennium from 65.39 percent to 64.41 percent.

ASSISTANCE PAYMENT PROGRAM

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	44.25	44.25	43.25	43.25	(2.3)
<u>Fund Source</u>					
General Fund Approp.	\$ 6,376,343	\$ 7,001,127	\$ 7,012,617	\$ 7,439,653	8.0
Other Funds Approp.	2,670,627	4,666,078	31,074,325	33,905,697	785.6
Other Funds Non-Ap.	<u>20,668,896</u>	<u>29,039,422</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	\$29,715,866 =====	\$40,706,627 =====	\$38,086,942 =====	\$41,345,350 =====	12.8 =====
<u>Expenditures by Object</u>					
Personal Services	\$ 905,680	\$ 961,500	\$ 1,097,652	\$ 1,096,088	17.5
Operating Expenses	1,151,755	1,947,803	1,263,966	1,346,042	(15.8)
Equipment	<u>29,270</u>	<u>2,479</u>	<u>1,750</u>	<u>-0-</u>	(94.5)
Total Operating Costs	\$ 2,086,705	\$ 2,911,782	\$ 2,363,368	\$ 2,442,130	(3.9)
Non-Operating Expend.	<u>27,629,161</u>	<u>37,794,845</u>	<u>35,723,574</u>	<u>38,903,220</u>	14.1
Total Expenditures	\$29,715,866 =====	\$40,706,627 =====	\$38,086,942 =====	\$41,345,350 =====	12.8 =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. AFDC 55 percent payment standard	\$475,730	\$1,194,670	\$515,374	\$1,294,226
2. Workfare (HB 258)				
Option a.	\$ 53,865	\$ 100,035	\$ 53,865	\$ 100,035
Option b.	76,960	76,960	76,960	76,960
3. LIEAP Transfer				
Option a.	\$ -0-	\$1,037,749	\$ -0-	\$1,037,749

The Assistance Payment Program administers Aid to Families with Dependent Children (AFDC), Day Care services, Food Stamp and Commodities programs, non-resident general assistance, the Low Income Energy Assistance (LIEAP) and Community Services block grants, and the weatherization program.

Current Level Adjustments

Operating expenditures are reduced \$28,200. This reduction comes from reducing contracted services by \$23,200 for one-time contracts associated with the Summer Food Commodities Program, emergency LIEAP contracts, and the Montana Information Management System rewrite; and a \$5,000 reduction in communications expense. STS usage grew from \$8,607 in fiscal 1980 and \$8,275 in fiscal 1981 to \$27,101 in fiscal 1982. Although department reorganization has doubled the FTE in this program since fiscal 1980, the above growth in STS usage appears unwarranted.

Personal services was reduced by 1.00 FTE, an eligibility technician, whose position was filled only one-quarter of the year. Actual vacancy savings was 7.5 percent in fiscal 1982; a 6.0 percent vacancy savings is recommended for the 1985 biennium.

Non-Operating Expense

The following table shows the total current level benefits and grants in the Assistance Payments Program for the 1983 and 1985 bienniums.

Table 1
Benefits and Grants, 1983 and 1985 Biennium

<u>Program</u>	<u>Actual Fiscal 1982</u>	<u>Appropriated Fiscal 1983</u>	<u>Projected Fiscal 1984</u>	<u>Projected Fiscal 1985</u>
Aid to Families with Dependent Children	\$18,592,460	\$21,016,919	\$21,784,800	\$23,176,800
LIEAP Block Grant	5,989,214	12,946,888	10,045,251	11,652,491
Weatherization	1,816,095	1,360,000	2,040,564	2,162,998
Community Services Block Grant	-0-	1,341,660	1,135,914	1,134,865
Work Fare	-0-	153,900	-0-	-0-
Day Care	362,862	501,729	504,201	534,452
Food Stamps	77,357	85,209	29,090	30,835
Training	188,671	350,000	150,000	175,000
Summer Food Commodities	124,708	-0-	-0-	-0-
Nonresident Financial Assistance	27,783	38,540	33,754	35,779
Total Grants	\$27,179,150 ¹ =====	\$37,794,845 =====	\$35,723,574 =====	\$38,903,220 =====

¹Does not include \$450,000 grant-in-aid to counties.

Food Stamps and Commodities

The reservation commodities program, which is 100 percent federal funded, will continue to be administered by the department through the 1985 biennium. Institutional commodity administration costs are supported with general fund. Administrative costs associated with the food stamp program are funded with a 50 percent general fund match.

Benefits and grants in both programs are federal funded. Federal funding for the food stamp outreach program has been discontinued in the 1985 biennium.

Training

The federal government provides funds for training county AFDC staff. This training is conducted at the University of Montana, which provides the necessary matching funds. During fiscal 1981 the university matching requirement was 25 percent; this was changed to 50 percent during fiscal 1982 by the federal government and is expected to continue at 50 percent through the 1985 biennium.

The legislature appropriated \$325,000 for training contracts in fiscal 1982. The department spent \$188,672. Included in current level is the department request for training grants of \$150,000 in fiscal 1984 and \$175,000 in fiscal 1985.

Nonresident General Assistance

General assistance provided to transient individuals passing through the state is a responsibility of the state, rather than the counties. The amount of assistance provided, which is all general fund, varies considerably from year to year, as shown in the following schedule.

<u>Year</u>	<u>General Assistance Payments</u>
1980	\$18,961
1981	43,378
1982	27,783

Due to this variability, the average assistance for fiscal 1980, 1981, and 1982 was increased for inflation. This results in \$31,843 for fiscal 1984 and \$33,754 in fiscal 1985.

Low Income Energy Assistance Block Grant

The Omnibus Reconciliation Act of 1981 provided for block grants to the states for assistance to low income households for their heating bills. The total grant award in fiscal 1982 was \$11,107,295. Provisions within the bill allow 10 percent for administration, 10 percent for transfer to Social Services Block Grant, 15 percent for weatherization, and 25 percent may be carried over into the succeeding year. All of these provisions are currently being utilized either through legislative mandate or departmental policy. Due to funding uncertainties during special session, the legislature provided for a transfer of \$834,362 annually to the social services block grant during the current biennium. This represented 10 percent of the minimum LIEAP funding expected at that time.

Given the current federal continuing resolution for human services funding, LIEAP block grants are projected to equal the anticipated fiscal 1983 grant over the 1985 biennium. The following table shows the effects of the current continuing resolution funding and utilization of certain provisions of the bill.

Table 2
LIEAP Block Grant Funding and Expenditures

	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
Grant Award	\$11,107,295	\$10,377,489	\$10,377,489	\$10,377,489
Prior Year Carryover	-0-	5,277,230	7,125,752	5,685,718
Credits/Vendor Accounts	<u>1,100,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Available	<u>\$12,207,295</u>	<u>\$15,654,719</u>	<u>\$17,503,241</u>	<u>\$16,063,207</u>
Administration				
(State and HRDC's)	\$ 653,723	\$ 692,946	\$ 734,523	\$ 778,595
Transfer to Title XX	834,362	834,362	1,037,749	1,037,749
Transfer to				
Weatherization	376,830	1,556,623	-0-	-0-
Transfer to Next Year	5,277,230	7,125,752	5,685,718	2,594,372
Fuel Assistance				
Grants (CL)	5,065,150	5,445,036	6,125,666	7,105,772
Fuel Assistance				
Grants (Expansion)	<u>-0-</u>	<u>-0-</u>	<u>3,919,585</u>	<u>4,546,719</u>
Total Grants	<u>\$ 5,065,150</u>	<u>\$ 5,445,036</u>	<u>\$10,045,251</u>	<u>\$11,652,491</u>

Weatherization

Weatherization funding is continued at the anticipated fiscal 1983 level. The anticipated grants and disbursements are presented in the following table.

Table 3
Weatherization Grants and Disbursements

	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
Grant Award	\$1,259,183	\$1,312,825	\$1,312,825	\$1,312,825
Prior Year Carryover	1,058,186	852,800	1,770,365	1,014,194
LIEAP Transfer	<u>376,830</u>	<u>1,556,623</u>	<u>-0-</u>	<u>-0-</u>
Total Available	<u>\$2,694,199</u> =====	<u>\$3,722,248</u> =====	<u>\$3,083,190</u> =====	<u>\$2,327,019</u> =====
Administration (State)	\$ 25,304	\$ 26,822	\$ 28,432	\$ 30,137
Transfer to Next Year	<u>852,800</u>	<u>1,770,365</u>	<u>1,014,194</u>	<u>133,884</u>
Weatherization Grants	<u>\$1,816,095</u> =====	<u>\$1,925,061</u> =====	<u>\$2,040,564</u> =====	<u>\$2,162,998</u> =====

Actual fiscal 1982 administration and grant amounts are carried forward at 6 percent. As the table shows, we have not provided for a transfer from the LIEAP block grant to the weatherization program in the 1985 biennium. The program can continue at current level and end the biennium with a \$133,884 balance. Should the legislature decide to intensify weatherization efforts, increased funding could be made available through transfers up to \$1,556,623 annually from the LIEAP block grant, or by utilizing all funds available.

Community Services Block Grant

The Community Services Block Grant includes the community action poverty programs, excluding Title VIII (the Native American Program Act of 1974) and Title X (legal services corporation), of the Economic Opportunity Act of 1964. The purpose of these funds is to alleviate the causes of poverty in communities within the state.

The total grant amount received in fiscal 1982 was \$1,023,332. While there were no actual expenditures against the grant in fiscal 1982, the entire grant amount was obligated. Obligations include \$920,998 in contracts with HRDC's (90 percent), \$51,167 in administration (5 percent), and \$51,167 for special commodities distribution to HRDC's and Indian tribes (5 percent). Actual expenditures in these amounts will occur in state fiscal 1983.

During the November, 1981 special session, the legislature directed the department to distribute 90 percent of the fiscal 1983 grant directly to the counties. This was provided for in federal regulations which at the time stipulated that in fiscal 1982 only 90 percent of the grant amount had to be distributed to community action agencies already in place in fiscal year 1981. In the interim, federal regulations accompanying the continuing resolution have repealed the provision that allowed for distribution to the counties in fiscal 1983. SRS proposes to continue distribution to the HRDC's in fiscal 1983. Grants are continued at the anticipated fiscal 1983 level of \$1,153,387. Federal regulations allow up to 5 percent for administration.

Day Care

AFDC recipients who are working or in training are reimbursed from state and federal sources for day care expenses up to maximum allowable levels. Employment-related day care is calculated as a work-related expense and deducted from earnings when establishing the recipients AFDC payment. These day care costs are included in the section on AFDC.

Training-related day care expense is paid directly to the provider. In fiscal 1982 there was \$362,862 of training-related day care. We have increased this amount at 6 percent, resulting in training-related day care costs of \$407,712 in fiscal 1984 and \$432,174 in fiscal 1985. In addition, IV-A day care costs of \$85,875 occurring in fiscal 1982 in the Social Services Program have been transferred to the Assistance Payments Program. The transfer increases day care costs \$96,489 in fiscal 1984 and \$102,278 in fiscal 1985 for a total cost of \$504,201 in fiscal 1984 and \$534,452 in fiscal 1985. Day care costs are funded with a 35 percent state, 65 percent federal match.

Aid to Families with Dependent Children

The last regular session of the legislature appropriated \$23,444,128 in fiscal 1982 and \$24,726,813 in fiscal 1983 for AFDC payments. During Special Session I, these appropriations were reduced a total of \$6,145,917 resulting in total appropriations of \$20,506,376 in fiscal 1982 and \$21,518,648 in fiscal 1983. Actual 1982 expenditures were \$18,592,460 and fiscal 1983 expenditures are presently expected to be \$20,406,024.

The total cost of providing AFDC benefits is a function of case load and average cost per case. Average case cost is a function of the AFDC payment standard. As the payment standard rises and falls, so too does the average cost per case. This is reflected in the significant rise in average case cost experienced in the second half of fiscal 1982 when the payment standard changed from 50 to 55 percent of the projected poverty level.

The anticipated poverty level fell below the actual poverty level for fiscal 1982, as shown in the following table.

Table 4
Anticipated and Actual Poverty Level for Fiscal 1982

<u>Family Size</u>	<u>-----Poverty Level-----</u>		<u>Difference</u>
	<u>Anticipated</u>	<u>Actual</u>	
2	\$ 5,616	\$ 6,220	10.8 %
3	6,672	7,760	16.3
4	8,520	9,300	9.2
5	10,080	10,840	7.5
6	11,352	12,380	9.1

The anticipated poverty levels are below the actual poverty level primarily because last session's projections were based on the gross national product deflator, rather than the consumer price index. The consumer price index, used by the United States Census Bureau to adjust the poverty level, was substantially higher than the GNPD for 1979, 1980, and 1981, resulting in understated poverty levels.

The table below shows the poverty level for 1982 and projections of the poverty level for fiscal 1983-1985. Projections are based on the Chase

Econometrics 1982 3rd Quarter Long-Term Forecast for the consumer price index.

Table 5
Poverty Level (Fiscal 1982-1985)

Family Size	1982 Level	1983 Level	1984 Level	1985 Level
2	\$ 6,220	\$ 6,606	\$ 7,029	\$ 7,493
3	7,760	8,241	8,768	9,347
4	9,300	9,877	10,509	11,203
5	10,840	11,512	12,249	13,057
6	12,380	13,148	13,989	14,912
Growth	6.2%	6.4%	6.6%	

The 1981 legislature based current appropriations on a payment standard equal to 55 percent of the projected poverty level. The following table shows actual fiscal 1983 payment standards and payment standards projected for the 1985 biennium at 55 percent of the poverty index.

Table 6
AFDC Payment Standards

Family Size	-----55 Percent of Poverty Level-----					
	Actual FY 1983		FY 1984	Percent Change		FY 1985 Percent Change
2	\$279	:	\$322	15.4	:	\$343 6.5
3	332	:	402	21.1	:	428 6.5
4	425	:	482	13.4	:	513 6.4
5	501	:	561	12.0	:	598 6.6
6	564	:	641	13.7	:	683 6.6

In comparison to current projected 1983 poverty levels, the fiscal 1983 payment standards are at 51 percent, rather than 55 percent, of the poverty level. Consequently, the payment standard must grow approximately 15 percent between fiscal 1983 and 1984 to realign the standard at 55 percent of the poverty level. Maintaining the standard at 55 percent of

the poverty level in fiscal 1985 would require approximately a 6.5 percent increase in the fiscal 1984 payment standard.

We have carried over the above 15 percent and 6.5 percent increases in the payment standard to the average cost per case. This is based on actual 1982 experience where a 10 percent rise in the payment standard resulted in a 10 percent rise in average cost per case. This results in the following table of historic and projected case loads, average costs, and total costs.

Table 7
AFDC Case Load and Costs

<u>Fiscal Year</u>	<u>Average Case Load</u>	<u>Average Payment</u>	<u>Annual Cost</u>	<u>Percent Change</u>
1976	6,306	\$146	\$11,048,112	
1977	6,062	154	11,202,576	1.4
1978	6,099	163	11,929,644	6.5
1979	6,061	183	13,309,956	11.6
1980	6,480	219	17,029,440	27.9
1981	7,085	223	18,959,460	11.3
1982	6,119	253	18,592,460	(1.9)
-----Projected-----				
1983	5,800	\$293	\$20,406,024	9.8
1984	5,800	337	23,455,200	15.0
1985	5,800	359	24,986,400	6.5

Case load projections are based on case load history for the six months ending September 30, 1982 and may require revision as further information becomes available prior to or during the session.

Actual average cost per case for the first four months of fiscal 1983 was averaged to obtain the estimate of fiscal 1983's average cost of \$293 per case. This figure is inflated at 15 percent to obtain average cost estimates of \$337 for fiscal 1984 and 6.5 percent to obtain average cost estimates of \$359 for fiscal 1985. The combination of these average costs and a case load projection of 5,800 produces total AFDC costs of \$23,455,200 in fiscal 1984 and \$27,986,400 in fiscal 1985.

As mentioned earlier, current level payment standards in fiscal 1983 are at 51 percent of the poverty index. The following table show the 1985 biennium payment standards adjusted to 51 percent of the poverty level.

Table 8
AFDC Payment Standards

<u>Family Size</u>	<u>Actual FY 1983</u>	-----51 Percent of Poverty Level-----				<u>FY 1985</u>	<u>Percent Change</u>
		<u>FY 1984</u>	<u>Percent Change</u>				
2	\$279	:	\$299	7.2	:	\$318	6.4
3	332	:	373	12.3	:	397	6.4
4	425	:	447	5.2	:	476	6.5
5	501	:	521	4.0	:	555	6.5
6	564	:	595	5.5	:	634	6.6

At 51 percent of the poverty level, payment standards rise 6.8 percent on average in fiscal 1984 and 6.5 percent in fiscal 1985. Commensurate rises in the average cost per case result in average costs per case of \$313 in fiscal 1984 and \$333 in fiscal 1985, and total costs of \$21,784,800 in fiscal 1984 and \$23,176,800 in fiscal 1985.

Issue 1: Aid to Families with Dependent Children

The payment standard for the AFDC program is at 51 percent of the poverty level in fiscal 1983. The legislature had intended the payment standard to be at 55 percent of the poverty level in fiscal 1983. Current level adjustments maintain the payment standard at 51 percent of the poverty level.

OPTIONS

Option a: Increase current level funding commensurate with a payment standard equal to 55 percent of the poverty level. General fund expenditures would increase \$475,730 in fiscal 1984 and \$515,374 in fiscal 1985; other fund expenditures would increase \$1,194,670 in fiscal 1984 and \$1,294,226 in fiscal 1985.

Option b: Maintain current level funding at 51 percent of the poverty level. General fund expenditures are \$6,204,311 in fiscal 1984 and \$6,600,753 in fiscal 1985; other fund expenditures are \$15,580,489 in fiscal

1984 and \$16,576,047 in fiscal 1985. This is included in the current level budget.

Issue 2: Workfare

The 1981 Legislature passed HB 258, which provided for a work experience and training program "...to provide recipients of AFDC payments an opportunity to contribute their efforts to society in return for assistance received and to explore the feasibility of establishing such a program to include recipients of other forms of public assistance." The legislature appropriated \$153,900 to SRS for each year of the 1983 biennium to implement the program.

The program never got started in fiscal 1982. According to the department, a federal funding source willing to buy into the program at an acceptable funding match could not be found. It is also doubtful that this program will get started in fiscal 1983. Therefore, current level does not include this program. Several options present themselves:

OPTIONS

Option a: Fund the program. Funding this program would cost general fund of approximately \$53,865 (35 percent) and other funds of approximately \$100,035 annually over the 1985 biennium.

Option b: The department has indicated that the Community Work Experience Program established under the Omnibus Reconciliation Act of 1981 could contribute a 50 percent match to the program. If the total program is funded at \$153,900 per year, general fund appropriations would be \$76,950 each year of the biennium.

Option c: Do not add the program.

Issue 3: LIEAP Transfer

Current policy calls for a 10 percent transfer of the LIEAP block grant to the Social Services Program. Consistent with past policy, we have continued to transfer 10 percent of the anticipated grants in fiscal 1984 and 1985. If the legislature should decide that the transfer is no longer advantageous, funds for the low income energy grants could be increased a total of \$1,037,749 annually. This would require a corresponding general fund appropriation in the social service program.

OPTIONS

Option a: Do not transfer 10 percent of the LIEAP block grant to the social service block grant. This will increase benefits in this program by \$1,037,749 per year and cost an equal amount of general fund in the social service program.

Option b: Continue the current policy of transferring the 10 percent.

SOCIAL SERVICES PROGRAM

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Level Fiscal 1984	Fiscal 1985	% Change Biennium 1983-85
FTE	384.38	384.38	365.48	365.48	(4.9)
<u>Fund Source</u>					
General Fund Approp.	\$ 4,126,927	\$ 5,066,204	\$ 3,260,026	\$ 3,449,228	(27.0)
Other Funds Approp.	7,792,790	5,367,973	15,358,682	15,581,482	135.0
Other Funds Non-App.	<u>5,909,295</u>	<u>7,762,010</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$17,829,012</u> =====	<u>\$18,196,187</u> =====	<u>\$18,618,708</u> =====	<u>\$19,030,710</u> =====	<u>4.5</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$ 6,628,480	\$ 7,519,325	\$ 7,735,258	\$ 7,724,645	9.2
Operating Expenses	758,207	879,237	820,330	874,062	3.4
Equipment	<u>6,859</u>	<u>3,990</u>	<u>6,865</u>	<u>4,493</u>	<u>4.7</u>
Total Operating Costs	\$ 7,393,546	\$ 8,402,552	\$ 8,562,453	\$ 8,603,200	8.7
Non-Operating Expend.	<u>10,435,466</u>	<u>9,793,635</u>	<u>10,056,255</u>	<u>10,427,510</u>	<u>1.3</u>
Total Expenditures	<u>\$17,829,012</u> =====	<u>\$18,196,187</u> =====	<u>\$18,618,708</u> =====	<u>\$19,030,710</u> =====	<u>4.5</u> ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Personal Services Reduction	\$ 50,819	\$ 302,830	\$ 50,633	\$ 301,722
2. Subsidized Adoption	\$ 48,143	\$ -0-	\$ 50,131	\$ -0-
3. LIEAP Transfer	\$1,037,749	\$(1,037,749)	\$1,037,749	\$(1,037,749)

The Social Services Program contains three major subprograms: Social Services, Youth Development, and Aging Services. The latter two programs were incorporated into the social services program in the current biennium. The Social Services subprogram includes services such as foster care, protective services day care, legal services, and a variety of smaller programs discussed in the section on current level adjustments. This program is also responsible for administering the disbursement of state Supplemental Security Income (SSI) payments to eligible recipients.

The Youth Development subprogram provides staff who work with courts, probation, schools, and other institutions to deter the incidence of delinquency. The primary service provided within this subprogram is the Big Brothers and Sisters (Volunteers to Youth) Program.

The Aging Services subprogram provides services to individuals over 60 years of age. The majority of the funding for this program comes from federal sources; however, the state matches administrative expense at 25 percent and certain grants and benefits at 5 percent. Services include congregate meals on wheels, transportation, funding for senior centers, home assistance, nursing home ombudsman services, and a state-funded information and referral service.

Current Level Adjustments

Operating expenditures are reduced \$25,160. Reductions to operating expense are due to erroneously charging child abuse grants to operating expense (\$42,002), discontinuing an aging services contract (\$15,333); and decreasing communications (\$1,096), and rent (\$575) expenses associated with the child abuse grant transfer to benefits and claims. These reductions are offset by increases in data processing costs to operate the Client Data Base System for all CSD contracts in fiscal 1984 and 1985 (\$33,246), and repair costs for movie projectors and video equipment used by training and staff development people (\$600). Personal services are discussed in a following section on issues.

Actual vacancy savings in fiscal 1982 was 6.8 percent. A vacancy savings factor of 6.0 percent is recommended for the 1985 biennium.

Program Benefits

Total program benefits are shown in the following table.

Table 9
Social Services Program Benefits
(1985 Biennium)

<u>Service</u>	<u>Fiscal 1982</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
Foster Care	\$4,141,652	\$ 4,032,595	\$ 4,274,550
Day Care	389,737	343,896	364,530
Child Abuse and Neglect	55,952	73,245	73,245
Legal Services	100,000	100,000	100,000
Subsidized Adoption	37,253	41,857	44,369
Spouse Abuse	113,904	122,430	129,776
Training	171,883	295,625	317,797
Family Teaching Center	91,000	102,250	108,400
Supplemental Sec. Income	719,000	807,866	856,341
Indo-Chinese	354,326	100,000	100,000
Home Health Foundation	25,870	26,875	28,891
Big Brothers and Sisters	166,449	196,968	208,786
West Yellowstone Project	8,689	6,395	6,875
Aging Services	8,856,349	3,806,253	3,813,949
Total	\$15,232,064 ¹ =====	\$10,056,255 =====	\$10,427,509 =====

¹Does not include \$238,107 in family planning, and \$4,717 in 4C's.

Foster Care

Foster care costs have increased rapidly since fiscal 1980 as shown in the following table.

Table 10
Actual, Budgeted, and Projected Foster Care Costs
(FY 1980-FY 1985)

<u>Fiscal Year</u>	<u>Total Cost</u>	<u>Percent Increase(Decrease)</u>
1980	\$2,248,994	--
1981	3,374,199	50
1982	4,141,653	23

The department says their records are unreliable for fiscal 1980; therefore, no analysis of what caused the increase from 1980 to 1981 is possible.

Fiscal 1981 and 1982 data show that increasing cost per day is the major contributing factor in the cost increase. Table 11 shows the care days increased 3.7 percent. The increase occurred primarily in the foster family and care and professional treatment services. These two programs' costs are increasing much slower than other services' costs. Therefore, the principal factor causing the rapid rise in foster care expenses is the cost per day in group homes, attention homes, receiving homes, in-state treatment, and out-of-state treatment.

Table 11
Percent Changes in Average Cost and Days of Care

Service	---Days of Care---				---Average Cost per Day---		
	Fiscal 1981	Fiscal 1982	Percent Change		Fiscal 1981	Fiscal 1982	Percent Change
Foster Family	216,343	227,581	5.2	:	\$ 6.91	\$ 7.53	2.1
Group Home	23,314	22,908	(1.7)	:	11.44	17.62	54.0
Attention Home	7,216	6,888	(4.5)	:	17.80	22.23	24.9
Receiving Home	8,173	7,063	(13.6)	:	12.59	16.82	33.4
In-state Treatment	44,156	42,171	(4.5)	:	27.97	33.11	18.4
Out-of-State Trmt.	4,990	5,533	10.9	:	28.68	43.08	50.2
Care & Prof. Trmt.	95	3,527	3,612.6	:	33.91	33.22	(2.0)
Total	304,287 =====	315,671 =====	3.7 =====	:	\$11.09 ¹ =====	\$13.12 ¹ =====	18.3 =====

¹Weighted Averages

Projected current level costs were derived by removing the budget amended funds from the fiscal 1982 base and inflating 10 percent to fiscal 1983 and 6 percent in fiscal 1984 and 1985. This produces total costs of \$4,032,595 in fiscal 1984 and \$4,274,550 in fiscal 1985.

The department has considerable influence on the group home rates. In fact, prior to the 1981 Legislative Session, a rate schedule was developed for group homes. The committee should request the department to document the changes in group home in-state and out-of-state costs; the rationale for the cost increases; and how the department plans to deal with these in the 1985 biennium.

Spouse Abuse

The Spouse Abuse Program received a base appropriation of \$75,000 annually over the 1983 biennium. In addition, the program was provided with a special appropriation of \$40,500 annually to be used only for regional shelter or safe house programs. This latter appropriation was provided for in HB 800, which also raised the marriage license fee from \$25 to \$30 to fund the appropriation. The \$5 fees from marriage licenses appears to cover less than half the cost of the special appropriation. Current level continues the special and regular appropriation into the 1985 biennium at a 6 percent growth rate.

Day Care

Day care expenses associated with the Social Services Program are for protective services day care. These services are provided as an alternative to foster home placement. Eligibility for the program is not income-related, but determined by social workers on the basis of the client's needs. Day care expenses totaled \$389,736 in fiscal 1982 and were funded as follows:

Table 12
Protective Services Day Care, Costs and Funding
(FY 1982)

<u>Type of Day Care</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
IV-A	\$21,469	\$ 64,406	\$ 85,875
CWS	55,959	168,006	223,966
WIN	263	2,363	2,626
Indo-Chinese	---	77,269	77,269
	<u>\$77,691</u>	<u>\$312,044</u>	<u>\$389,736</u>
	=====	=====	=====

In fiscal 1984 and fiscal 1985 IV-A and WIN day care costs are transferred to the assistance payment program. Total day care costs are funded at \$343,896 in fiscal 1984 and \$364,530 in fiscal 1985 as follows:

Table 13
Protective Day Care Costs for 1985 Beinnium

<u>Type of Day Care</u>	<u>-----Fiscal 1984-----</u>		<u>-----Fiscal 1985-----</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
CWS	\$63,921	\$191,763	\$67,756	\$203,269
Indo-Chinese	<u>-0-</u>	<u>88,212</u>	<u>-0-</u>	<u>93,505</u>
Total	<u>\$63,921</u>	<u>\$279,975</u>	<u>\$67,756</u>	<u>\$296,774</u>

This reflects growth at 7.7 percent, 6.0 percent, and 6.0 percent in fiscal years 1983, 1984, and 1985, respectively. The following table shows fiscal 1982 and 1983 actual day care rates and 1985 biennium rates approximating the above inflationary increases.

Table 14
Day Care Rates, 1983 and 1985 Biennium

	<u>-----Actual-----</u>			<u>-----Projected-----</u>			
	<u>FY '83</u>	<u>FY '83</u>	<u>Percent Change</u>	<u>FY '84</u>	<u>Percent Change</u>	<u>FY '85</u>	<u>Percent Change</u>
Day Care Homes	\$6.00	\$6.50	8.3	\$7.00	7.7	\$7.50	7.1
Group Day Care Homes	6.50	7.00	7.7	7.50	7.1	8.00	6.7
Day Care Centers	7.00	7.50	7.1	8.00	6.7	8.50	6.3

Child Abuse and Neglect

Services provided under this program are 100 percent federal funded under a grant program to qualifying states. Actual expenditures in fiscal 1982 totaled \$55,952. These expenditures were inappropriately coded as operating expenditures in fiscal 1982, but are actually grants made to organizations, such as Parents Anonymous, for outreach and referral services. These grants are used to educate the general populace to recognize

symptoms of child abuse and neglect. These efforts will contribute to growing protective services foster care and day care as parents, teachers, and other members of the community become educated in recognizing child abuse and the importance of reporting it. The program has requested funding of \$73,245 annually during the 1985 biennium for these services.

The following table shows child abuse-related protective services over the last three fiscal years:

Table 15
Child Abuse and Neglect Protective Services

<u>Service Provided</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>
Protective Service Investigations	3,361	4,461	5,243
Protective Service On-going(cases)	3,326	4,563	5,149
Foster Care (days of care)	1,484	1,799	2,008
Day Care (days of care)	<u>651</u>	<u>854</u>	<u>940</u>
Total Services	8,822 =====	11,677 =====	13,340 =====

Legal Services

Funding for this service is provided through a contract with the Montana Legal Services Association, which provides legal services for AFDC and SSI recipients. In the past, these services were funded with Title XX and general fund at a 75/25 match. The department has administratively kept this matching ratio using social services block grant funds and general fund. Current level includes \$100,000 per year as has been the past funding level.

Family Planning

Family planning services are provided through contract with the Department of Health and Environmental Sciences (DHES). The last legislature provided \$206,550 annually over the 1983 biennium for these services. Actual recorded expenditures in fiscal 1982 were \$238,107. The \$31,557 discrepancy between appropriations and expenditures is accounted for by a contract for that amount entered into in fiscal 1983 but prior to the SBAS fiscal year-end 1982 closing date.

In the past, SRS has contracted with DHES for family planning services per requirements associated with Title XX funding. With the switch from Title XX funding to the Social Services Block Grant, SRS is no longer required to contract for these services. SRS plans to transfer responsibility for the family planning program to the health department without transferring any block grant funds.

Training

Direct, in the field, social worker staff training is provided through a contract with the University of Montana. In the past, training was funded with Title XX funds, and required a 25 percent match paid by the university. While the match is no longer required under social services block grant funding, the department will request the university to match the funds by maintaining the 25 percent match. Training grants in the 1983 biennium were funded at \$350,000 annually; actual 1982 expenditures were \$171,883. The department has estimated total training expenses to be \$295,625 in fiscal 1984 and \$317,797 in fiscal 1985.

Family Teaching Center

The Family Teaching Center, located in Helena, has the dual purposes of providing treatment to dysfunctional families and parents of abused children, and to provide training to personnel initiating similar pilot projects in other areas. Total expenditures, all general fund, were \$91,000 in fiscal 1982. Current level funding is maintained at 6 percent growth, but is split 75/25 social services block grant/general fund in the 1985 biennium. Also, the potential for reduced funding in the future should be monitored as the center has begun charging a nominal fee, based on ability to pay for its services.

Big Brothers and Sisters (Volunteers to Youth)

This service provides adult companionship to youths of single-parent families. The program is 100 percent federal funded. Actual 1982 expenditures were \$166,449. Budgeted fiscal 1983 expenditures are \$185,819. The fiscal 1983 level is continued with 6 percent growth.

Aging Services

Funding for the Aging Services Program is determined by anticipated federal grants. Due to the current continuing resolution, grant amounts in the 1985 biennium are expected to approximate those received in fiscal 1983. Annualization of grant amounts received in the first quarter of fiscal 1983 indicate that the 1983 total grant will exceed the budgeted 1983 amount, but will not exceed actual 1982 expenditures. This is because the department received unanticipated increases in federal funding in fiscal 1982 in the amount of \$449,092. State general fund is used to provide information and referral services, in-home services provided under HB 217 of the 47th Legislature, and a 5 percent match on federal funds used for social services, congregate nutrition, and home-delivered nutrition. Total funds are expected to be \$3,806,253 in fiscal 1984 and \$3,813,949 in fiscal 1985. General fund is expected to be \$405,660 and \$413,356 in each of those years. The following table shows how these funds were actually distributed in fiscal 1982, budgeted in fiscal 1983, and are anticipated to be distributed in fiscal 1984 and 1985.

Table 16
Aging Services Funds Distribution

<u>Service Category</u>	<u>Actual FY 1982</u>	<u>Budgeted FY 1983</u>	<u>Anticipated FY 1984</u>	<u>Anticipated FY 1985</u>
Social Services ¹	\$1,273,934	\$1,222,501	\$1,192,302	\$1,192,302
Congregate Nutrition	1,532,271	1,336,500	1,419,408	1,419,408
Home Delivered Nutrition	290,674	247,500	283,883	283,883
Training	39,278	30,000	30,000	30,000
Legal Advocacy ²	48,234	50,000	-0-	-0-
Cash in Lieu of Commodities	262,790	250,000	475,000	475,000
Total Federal Grant	\$3,447,181 =====	\$3,136,501 =====	\$3,400,593 =====	\$3,400,593 =====
State Matching Grant	\$ 161,392	\$ 188,428	\$ 152,400	\$ 152,400
Information and Referral	99,125	121,000	128,260	135,956
HB 271, In-Home Services	115,417	125,000	125,000	125,000
Aging Administration	33,234	---	---	---
Total Program	\$3,856,349 =====	\$3,570,929 =====	\$3,806,253 =====	\$3,813,949 =====

¹Includes nursing home ombudsman.

²Legal advocacy has been eliminated in the 1985 biennium through federal actions.

Supplemental Security Income

State general fund supplements federal payments to the indigent aged, blind, or disabled. Actual 1982 SSI payments totaled \$719,000 in fiscal 1982. We have held SSI payments at current level, inflating 1982 total payments at 6 percent annually through the 1985 biennium. This produces total payments of \$807,866 in fiscal 1989 and \$856,341 in fiscal 1985.

Issue 1: Personal Services Reduction

Total FTE in the Social Services Program was 364.03 at fiscal year-end 1980. At fiscal year-end 1982, there were 384.38 FTE in the program. The following table shows how this growth in FTE occurred:

Table 17
Social Services Program FTE Growth from Fiscal 1980 to Fiscal 1982

	Increase(Decrease) in FTE	<u>Total FTE</u>
Original Operating Plan (47th Legislature)		365.23
Transfer from program 03	1.20	366.43
Transfer from Youth Development	14.75	381.18
Transfer from Aging Services	10.00	391.18
Jefferson County Welfare Director (BA 0680)	.20	391.38
Special Session I	(6.00)	385.38
Transfer from Social Services to Medical Assistance (OA 1177)	<u>(1.00)</u>	<u>384.38</u>
Change	19.15 =====	19.15 =====

As the table shows, increases in FTE result from incorporating the Youth Development and Aging Services Programs into the Social Services Program.

The position control report indicated that at fiscal year-end 1982 there were 52 vacant positions in this program. Of these positions, 20 were vacant year round (10.58 FTE), and an additional 11 positions were filled half the year or less (9.80 FTE). Vacancy savings in fiscal 1982 could have funded an additional 34 FTE positions at fiscal 1982 average grade salary levels. A reduction of 18.9 FTE in this program from current level in recognition of these vacancies and personal services expenditure savings would reduce general fund expenditures by \$101,452 and other fund expenditures by \$604,552 over the 1985 biennium.

The 18.9 FTE reduction reflects a reduction of 31 positions consisting of 12 social workers, 7 home attendants, 7 clerk/typist/receptionists, 2 administrative aides, 1 program manager, 1 data entry operator, and 1 eligibility technician.

OPTIONS

Option a: Do not reduce personal services 18.9 FTE. This would cost general fund \$50,819 in fiscal 1984 and \$50,633 in fiscal 1985; other funds would increase \$302,830 in fiscal 1984 and \$301,722 in fiscal 1985.

Option b: Reduce 18.9 FTE due to vacancies in fiscal 1982. This is included in current level.

Issue 2: Subsidized Adoption

The Subsidized Adoption Program places children with special needs (i.e., sibling groups or handicapped children) in homes with adoptive parents who receive a subsidy reflective of those needs. This program, which is 100 percent general funded, provides a lower cost alternative to foster home placement. The following table shows the number of children in the program and the total cost annually since fiscal 1978, when the program first started.

Table 18
Subsidized Adoption--Placements/Cost

<u>Fiscal Year</u>	<u># Children Placed</u>	<u># Recvg. Subsidies</u>	<u># Recvg. Medical</u>	<u>Total Cost</u>
1978)		18	2	\$15,840
1979 :	32	23	1	27,116
1980)	0	29	2	38,523
1981	2	27	2	37,078
1982	1	27	2	37,253

The legislature appropriated \$90,000 in fiscal 1982 and \$135,000 in fiscal 1983 for the program; but department personnel say they misconstrued the appropriation to be \$90,000 over the biennium, and as a result actual fiscal 1982 expenditures were held to \$37,253.

The potential for increased services has been documented, however. In response to a letter from the Community Services Division assistant administrator, dated June 23, 1982, social worker supervisors indicated that 41 additional children could potentially be placed in the subsidized adoption program, with total annual costs exceeding \$135,000. We have set current level appropriations for fiscal 1984 at \$41,857 and for fiscal 1985, at \$44,369. We do this noting that the projected additional placements are classified as "possible" placements.

OPTIONS

Option a: Maintain funding levels anticipated by the 1981 session. General fund appropriations would increase \$48,143 in fiscal 1984 and \$50,131 in fiscal 1985.

Option b: Fund the program at current level. General fund of \$41,857 in fiscal 1984 and \$44,369 in fiscal 1985 is included in current level.

Issue 3: LIEAP Transfer

One of the provisions of the Low Income Energy Assistance Program block grant allows for the transfer of 10 percent of the block grant amount to Social Service Programs. The 47th Legislature provided for transfers of \$834,362 in each year of the 1983 biennium. This represents 10 percent of the minimum grant amount expected at that time.

The 10 percent transfer is continued in the 1985 biennium. Transfer amounts are \$1,037,749 in each year of the biennium and are used to offset general fund.

OPTIONS

Option a: Do not provide for the transfer. General fund expenditures would increase \$1,037,749 in each year of the biennium.

Option b: Maintain current policy of transferring 10 percent of the LIEAP grant to Social Services Programs.

ELIGIBILITY DETERMINATION PROGRAM

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	324.41	324.41	303.81	303.81	(6.9)
<u>Fund Source</u>					
Other Funds Approp.	<u>\$4,948,479</u>	<u>\$5,838,233</u>	<u>\$5,766,110</u>	<u>\$5,762,649</u>	<u>6.9</u>
Total Funds	<u>\$4,948,479</u> =====	<u>\$5,838,233</u> =====	<u>\$5,766,110</u> =====	<u>\$5,762,649</u> =====	<u>6.9</u> ===
<u>Expenditures by Object</u>					
Personal Services	\$4,848,113	\$5,731,464	\$5,658,401	\$5,650,959	6.9
Operating Expenses	<u>100,366</u>	<u>106,769</u>	<u>107,709</u>	<u>111,690</u>	<u>5.9</u>
Total Operating Costs	<u>\$4,948,479</u> =====	<u>\$5,838,233</u> =====	<u>\$5,766,110</u> =====	<u>\$5,762,649</u> =====	<u>6.9</u> ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Staffing Level	\$ -0-	\$241,044	\$ -0-	\$235,764

The Eligibility Determination Program incurs personal service and travel expense associated with county welfare eligibility staff, clerical staff, and an allocated portion of county welfare directors' salaries. The primary responsibility of individuals working in the program is to provide determinations of eligibility for food stamp, AFDC, medicaid, and general assistance recipients. Auditing determinations provide federal authorities with eligibility determination error rates, which are then used as a basis for any sanctions to which the state may be subject.

Current Level Adjustments

There are only two line items of operating expense in the program: travel and other expense. No adjustments were made to travel expense. Other expenses, primarily for registration fees, were increased \$2,462 over what the legislature appropriated last biennium to provide for increased

training of eligibility technicians, particularly in the area of medicaid determinations. Actual vacancy savings was 8.7 percent in fiscal 1982. A 6.5 percent vacancy savings factor is recommended for the 1985 biennium.

Issue No. 1: Staffing Level

During the 1981 session, the legislature authorized and appropriated funds for an additional 68.3 FTE for this program. The appropriation was made on the department's argument that the additional FTE were needed to accommodate a rapidly increasing food stamp case load. Following the regular session, the legislature met in November of 1981 for a special session. As a result of programmatic changes initiated at the federal and state level, AFDC case load dropped in November and December of 1981, and will be 1,400 cases lower than case loads originally anticipated by the 1981 Legislature. Also, medicaid cases have been dropping and are projected by the department to decline further.

A total of 34 positions was vacant at fiscal year-end 1982. Of these positions, 20 were never filled all year, or very close to all year. We have removed these positions (20.6 FTE) in response to declining AFDC and medicaid case loads, and in conformance with providing current level service.

OPTIONS

Option a: Retain the 20.6 positions dropped. Federal and county funds increase \$241,044 in fiscal 1984 and \$235,764 in fiscal 1985.

Option b: Maintain the elimination of the positions or opt for an alternative staffing level.

ADMINISTRATIVE & SUPPORT SERVICES

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	85.88	89.88	85.88	85.88	(0.5)
<u>Fund Source</u>					
General Fund Approp.	\$ 429,884	\$ 556,840	\$ 640,380	\$ 624,739	28.2
Other Funds Approp.	<u>2,124,857</u>	<u>2,207,721</u>	<u>2,374,588</u>	<u>2,316,594</u>	<u>8.2</u>
Total Funds	<u>\$2,554,741</u> =====	<u>\$2,764,561</u> =====	<u>\$3,014,968</u> =====	<u>\$2,941,334</u> =====	<u>11.9</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$1,674,261	\$1,979,419	\$2,053,172	\$2,050,129	12.3
Operating Expenses	853,396	774,957	933,639	880,228	11.3
Equipment	<u>27,084</u>	<u>10,185</u>	<u>28,157</u>	<u>10,977</u>	<u>5.0</u>
Total Operating Costs	<u>\$2,554,741</u> =====	<u>\$2,764,561</u> =====	<u>\$3,014,968</u> =====	<u>\$2,941,334</u> =====	<u>11.9</u> =====

The overall agency management, budgeting and planning are funded in this program. Departmental services including data processing, statistics and research, personnel management, fiscal analysis, and agency legal services are functions of this program.

Current Level Adjustments

Personal services is held constant at 85.88 FTE. Vacancy savings was 6.4 percent in fiscal 1982. A vacancy savings factor of 6 percent is recommended for the 1985 biennium.

Operating expenses are reduced from actual 1982 expenditures of \$853,392 to a base of \$759,132 for a total reduction of \$94,260. Data processing equipment rent and office equipment rent charges are reduced \$80,387. Recruiting charges are reduced \$45,978. Offsetting these reductions are increases of \$2,000 for tuition and increases of \$9,588 in contract services (primarily for increased fees for filing administrative rules in the Secretary of State's Office).

Also, beginning January 1, 1982, the department assumed responsibility for administering its merit system in lieu of administration of the

system by the Department of Administration. One result of the changeover is an increase in supplies of \$970, and an increase in communications of \$612. Postage costs increase \$12,000 to provide for mailing computer-generated turnaround documents for food stamps. Travel expenses have been increased \$4,626 to accommodate necessary training for two new data personnel, and for training of attorneys required by the bar association. With the changeover to administering the merit system two new typewriters were purchased. As a result repair and maintenance cost have been increased \$1,698.

In the 1985 biennium legislative audit costs are estimated to be \$120,000. Expenditures for normal replacement of office equipment of \$30,000 are recommended.

Funding

The program is funded in accordance with the actual June 30, 1982 version of the department's cost allocation plan which provides for allocation of funding based on the time spent in administering the various state and federal programs.

MEDICAL ASSISTANCE

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	13.61	13.61	12.61	12.61	(7.3)
<u>Fund Source</u>					
General Fund Approp.	\$29,829,447	\$33,372,257	\$32,481,011	\$33,689,003	4.7
Other Funds Approp.	1,487,417	2,040,550	52,491,497	58,796,923	3054.4
Other Funds Non-Apr.	47,197,680	55,560,660	-0-	-0-	(100.0)
Total Funds	\$78,514,544 =====	\$90,973,467 =====	\$84,972,508 =====	\$92,485,926 =====	4.7 ===
<u>Expenditures by Object</u>					
Personal Services	\$ 282,526	\$ 362,708	\$ 363,902	\$ 363,411	12.7
Operating Expenses	1,731,389	2,312,026	1,639,962	1,738,283	(16.5)
Equipment	10,593	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$ 2,024,508	\$ 2,674,734	\$ 2,003,864	\$ 2,101,694	(12.6)
Non-Operating Expend.	76,490,036	88,298,733	82,968,644	90,384,232	5.2
Total Expenditures	\$78,514,544 =====	\$90,973,467 =====	\$84,972,508 =====	\$92,485,926 =====	4.7 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Nursing Home Reimbursement	\$735,481	\$1,203,565	\$637,494	\$1,043,216

The Medical Assistance Program provides administration of medicaid payments to AFDC and SSI recipients, medically needy, and Indian health services. The Health Underserved Rural Areas (HURA) Program, a federal funded program, is discontinued in the 1985 biennium. During the 1983 biennium, the state funded Renal Disease Program was transferred from the Vocational Rehabilitation Program into Medical Assistance.

Current Level Adjustments

Operating expenses are reduced \$271,433. The majority of this is in contracted services, which is reduced \$271,000. The HURA contract is no longer required (\$186,000), and a contract for provider rate rule development, budgeted for fiscal 1982 at \$35,000, was not used. Provider rate rules (nursing home reimbursement rules) have been developed and are in effect.

Personal services was reduced by 1.00 FTE for an administrative officer position not filled the entire year. Actual vacancy savings in fiscal 1982 was 14.9 percent. A 7.5 percent vacancy savings factor for the 1985 biennium is recommended.

Funding

The medicaid match rate for administration has been 50 percent in the past. The match for benefits is a function of Montana's per capita income relative to national per capita income. In fiscal 1982 the federal matching rate was 65.34 percent.

The matching rates are affected by provision of the Omnibus Reconciliation Act which reduces federal participation 3 percent in federal fiscal 1982, 4 percent in federal fiscal 1983, and 4.5 percent in federal fiscal year 1984. These provisions are presumed to terminate at the end of federal fiscal year 1984.

Regional administration for the Health Care Financing Administration has indicated that the federal medicaid match for Montana for the 1985 federal biennium will be 64.41 percent. This rate combined with the Reconciliation Act provisions produce federal fiscal year matching rates of 61.51 percent in 1984 and 64.41 percent in fiscal 1985. Adjusting for the difference between state and federal fiscal years produces a medicaid matching rate of 61.82 percent in fiscal 1984 and 63.69 percent in fiscal 1985 for benefits; and 47.81 percent in fiscal 1984 and 49.44 percent in fiscal 1985 for administration.

Benefits The following table shows actual 1982 program benefits, budgeted fiscal 1983 benefits, and projected benefits in 1984 and 1985.

Table 19
Medical Benefits, 1983 and 1985 Bienniums

<u>Benefits</u>	<u>Fiscal 1983</u>	<u>Fiscal 1983</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
Medicare Buy-in	\$ 1,010,196	\$ 1,149,500	\$ 1,092,506	\$ 1,174,444
DHES Surveys	118,846	194,048	132,855	111,492
Indian Health Ser.	875,387	1,400,000	1,482,600	1,577,486
Renal Disease	124,800	125,000	125,000	125,000
Medicaid	<u>74,360,802</u>	<u>85,430,185</u>	<u>80,135,683</u>	<u>87,395,810</u>
Total Prog.	\$76,490,031 =====	\$88,298,733 =====	\$82,968,644 =====	\$90,384,232 =====

Renal Disease

This program provides general fund benefits to individuals with chronic renal disease. Funding in the 1983 biennium was set at \$125,000 annually. The program spent \$124,800 in fiscal 1982. Funding in the 1985 biennium is maintained at \$125,000 annually.

Medicare "Buy-In"

The Medicaid Assistance Program pays medicare premiums for individuals qualifying for medicare benefits but unable to pay for the premiums themselves. By paying the medicare premiums, medical expenses are paid with federal medicare funds rather than with medicaid funds, which require a state general fund match.

"Buy-in" is composed of two parts: assistance and non-assistance. Assistance payments are for individuals already receiving some form of social assistance. These individuals' premiums are paid for, in part, with federal funds. Over the past three years federal funding has paid for 63.76 percent of these costs.

Non-assistance payments are for individuals not receiving social assistance. They are not eligible for federal matching funds and, consequently, their premiums must be paid entirely from the general fund. Over the last three years the non-assistance portion has averaged 45.72 percent of total payments. General fund has paid 65.39 percent of the total cost over the last three years.

The following table shows buy-in expenditures for the last three years, and projections for the 1985 biennium.

Table 20
Medicare Buy-In Expenses

<u>Fiscal</u> <u>Year</u>	<u>Non-Assistance</u> <u>General Fund</u>	<u>-----Assistance-----</u> <u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>	<u>Percent</u> <u>General Fund</u>
-----Actual-----					
1980	\$418,009	\$190,974	\$329,513	\$ 938,496	64.89
1981	383,447	161,446	290,530	835,423	65.22
1982	471,893	195,485	342,818	1,010,196	66.06
-----Projected-----					
1983	\$461,213	\$198,426	\$349,138	\$1,008,777	65.39
1984	499,494	214,896	378,116	1,092,506	65.39
1985	536,956	231,013	406,475	1,174,444	65.39

Costs for the 1985 biennium were calculated by inflating the average of the last three years' buy-in total cost by the September Chase-Econometrics medical services consumer price index and applying the 65.39 percent general fund requirement. This results in \$714,390 of general fund and \$378,116 of other funds in fiscal 1984 and \$767,969 of general fund and \$406,475 of other funds in the fiscal 1985 biennium.

DHES Surveys

The Department of Health and Environmental Sciences conducts reviews of nursing homes to insure they are in compliance with federal and state licensing requirements. The cost of these services is paid for with federal funds flowing through SRS to the Department of Health and Environmental Sciences. SRS's budget request included \$205,496 in fiscal 1984 and \$218,648 in fiscal 1985 for these services; the Health Department requested \$132,855 and \$111,492 in these years. We have included the latter amounts in the SRS budget.

Indian Health Services

Federal funds also flow through SRS to the Indian tribes to pay for the cost of administering health service programs on the reservations.

These costs are funded per the program's request at \$1,482,600 in fiscal 1984 and \$1,577,486 in fiscal 1985.

Medicaid

Medicaid benefits are automatically available for recipients qualifying for AFDC and SSI payments. In addition, benefits are available for individuals not on AFDC or SSI but who qualify under the state's medically needy program. Services provided include hospital in-patient and out-patient services, physician services, other practitioners' and dental services, drugs, other services, regular nursing home services, and institutional nursing home services. Medicaid costs are discussed under three subsections: institutional nursing homes, other medicaid costs, and nursing homes.

Nursing Homes-Institutions Institutional nursing home services are provided at Boulder, Warm Springs, Galen, Eastmont, and the Center for the Aged. Beginning in 1985 services will also be provided at the Montana Youth Treatment Center. The total cost of providing care at these institutions is a function of the total care days provided and the average cost per day. The medicaid contribution towards total cost is the difference between total cost and any private resources used in paying for services.

The following table shows total care days provided at each institution for the past three years, as determined by the Department of Institutions.

Table 21
Medicaid Reimbursable
Institutional Nursing Care Days Provided
Fiscal 1980 - 1981 - 1982

<u>Institution</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>
Boulder	74,872	76,889	73,871
Warm Springs	4,966	4,411	4,075
Galen	15,805	21,011	19,247
Center for Aged	43,574	42,042	37,644
Eastmont	<u>9,652</u>	<u>13,620</u>	<u>13,163</u>
Total	148,869 =====	157,973 =====	148,000 =====

As the table shows, total nursing care days rose in fiscal 1981, then dropped in fiscal 1982.

To obtain estimated 1985 biennium costs we held fiscal 1982 care days at each institution constant over time. The fiscal 1982 average cost per care day at each institution was inflated to fiscal 1983 for inflationary growth appropriated by the 1981 Legislature, and inflated at 6 percent annually in fiscal 1984 and 1985. Applying the adjusted average cost per care day to total care days provided total cost for each institution. Total cost was then reduced for estimated contributions from private resources to obtain the total medicaid contribution. This produced the following cost for fiscal 1984 and 1985.

Table 22
Institutional Nursing Home Costs (1985 Biennium)

Institution	Annual Care Days	-----Fiscal 1984-----		-----Fiscal 1985-----	
		Average Cost Per Day	Total Cost	Average Cost Per Day	Total Cost
Boulder	73,871	\$66.12	\$4,884,502	\$70.12	\$ 5,179,661
Warm Springs	4,075	45.50	185,430	48.29	196,779
Galen	19,247	47.48	913,933	50.39	969,888
Center for Aged	37,644	29.11	1,095,959	30.90	1,163,198
Eastmont	13,163	58.04	763,973	61.56	810,378
Youth Treatment Center	-0-	0.00	-0-	141.27	1,500,994
Total			\$7,843,797 =====		\$9,820,898 =====

The Montana Youth Treatment Center is scheduled to come on line in fiscal 1985. The Department of Institutions projects that average cost per day for that facility will be approximately \$141.27, and that 12,500 total patient days will be provided in fiscal 1985. Given a medicaid participation rate of 85 percent, medicaid reimbursable days will be 10,625, and total medicaid costs will be \$1,500,994 in fiscal 1985. We have added these costs to our estimates of medicaid requirements in fiscal 1985.

Other Medical Costs Included in these costs are hospital in-patient and out-patient services, physician, dental, and other practitioner services, drugs and other services. The total cost for each of these services is a function of the number of recipients, the unit cost, and utilization (the number of services per recipient).

Normally, trend lines established through regression analysis could be used to provide indications of future recipients. However, when faced with the changes of the magnitude experienced during the special session, regression analysis by itself becomes an unreliable predictor. Consequently, the department has taken the trend established prior to the Reconciliation Act and adjusted it downward to take account of the reduction in AFDC case load, and projections of recipients were kept flat through the 1985 biennium.

Table 23
Other Medicaid Services - Number of Services Provided

<u>Service</u>	<u>Fiscal 1982</u>	-----Projected-----	
		<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
In-patient Hospital	109,776	105,012	106,257
Out-patient Hospital	78,699	61,233	61,779
Physician	288,048	321,965	320,394
Other Practitioners	82,949	74,530	73,521
Drugs	437,459	401,327	386,231
Dental	97,326	79,531	80,150
Other Services	228,983	52,294	52,294

Fiscal 1982 services are taken from the December Dikewood tapes and may not reflect the total number of services provided due to a billing and paying lag. A direct comparison between fiscal 1982 and the 1985 biennium figures for physician and other services is not feasible due to service classification changes occurring in the 1983 biennium.

Average cost per service for the 1985 biennium were derived from actual fiscal 1983 average costs as reported in December and inflated at 8 percent annually. This results in the following average costs for the 1985 biennium.

Table 24
Other Medicaid Cost - Average Cost per Service

<u>Service</u>	<u>Fiscal 1983</u>	-----Projected-----	
		<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
In-patient Hospital	\$153.07	\$165.32	\$178.55
Out-patient Hospital	26.13	28.22	30.48
Physician	20.90	22.57	24.38
Other Practitioners	14.42	15.57	16.82
Drugs	8.80	9.50	10.26
Dental	23.43	25.30	27.32
Other Services	6.71	7.25	7.83

The combination of the above number of services and average costs produces the following total costs for these services in the 1985 biennium.

Table 25
Other Medicaid Costs - Total Cost per Service

<u>Service</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>
In-patient Hospital	\$17,360,584	\$18,972,187
Out-patient Hospital	1,727,995	1,883,024
Physician	7,266,750	7,811,206
Other Practitioners	1,160,432	1,236,623
Drugs	3,812,607	3,962,730
Dental	2,012,134	2,189,698
Other Services	<u>379,132</u>	<u>409,462</u>
Total	\$33,719,634 =====	\$36,464,930 =====

Nursing Homes The Omnibus Reconciliation Act of 1981 increased flexibility in nursing home rate reimbursement, in that it allowed facility reimbursement for long-term care based on rates which the state rather than the federal government determines are reasonable and adequate to meet the cost which must be incurred by efficiently and economically operated facilities. In response to this increased flexibility, effective July 1, 1982, the department has adopted new nursing home reimbursement rules that

provide rates based on (1) the size of the facility, (2) patient assessment and case mix, and (3) local wage rates. Previously, rates were set based on actual costs incurred in providing care with little regard given to whether costs were appropriate for the amount of care required.

Strict adherence to the new rules would result in substantial increases in rates for some facilities and substantial decrease for others. To mitigate these effects, the department has instituted a grandfather clause and a three-year phase-in period.

Property cost reimbursement is based on the type of construction, the age of the facility, renovation, and additions. Generally, newer facilities receive higher rates and wood frame facilities receive higher rates than non-wood frame facilities. Depreciation recapture is eliminated for all facilities sold after July 1, 1982. Facilities required to pay property taxes receive higher rates than facilities not required to pay property taxes.

The department estimates that administration costs are reduced \$110,000 annually beginning in fiscal 1985; and programmatic costs are reduced \$850,000 over the period July 1, 1982 to June 30, 1985, and by \$2,540,000 annually in fiscal 1986 and 1987. Cost reductions are nominal in the earlier years as a result of the grandfather clause.

These rules provide for the state to pay an average nursing home rate of \$30.96 in fiscal 1984 and \$32.61 in fiscal 1985. The department has calculated the total nursing home cost in these years as the product of the expected number of nursing home beds, the percent of beds filled by medicaid patients, the average overall nursing home occupancy rate, the number of days in each year, and the annual average rate less patient participation. The department used 9 percent inflation for operating costs.

This produces the following costs:

Table 26
SRS Request for Current Level Nursing Home Costs
1985 Biennium

<u>Fiscal 1984</u>	
Care Days	1,294,245
Average State Cost	<u>\$30.96</u>
Total State Cost	\$40,069,825
	=====
<u>Fiscal 1985</u>	
Care Days	1,290,709
Average State Cost	<u>\$32.61</u>
Total State Cost	\$42,090,020
	=====

The table below shows actual number of nursing care days provided, average cost per nursing care day, and total cost of services provided for fiscal 1981 and 1982. The costs for fiscal 1984 and 1985 are derived by allowing an inflationary increase in fiscal 1983 equal to that appropriated by the 1981 Legislature, and providing a 6 percent annual increase for fiscal 1984 and 1985.

Table 27
Current Level Nursing Home Care Days and Costs

<u>FY Year</u>	<u>Care Days</u>	<u>Average Cost Per Day</u>	<u>Total Cost</u>	<u>Percent Increase</u>
-----Actual-----				
1980	1,144,348	\$21.61	\$24,726,031	
1981 ¹	1,277,646	24.21	30,929,402	25.1
1982 ¹	1,258,857	25.89	32,593,360	5.4
-----Projected-----				
1983	1,258,857	\$28.57	\$35,965,544	10.3
1984	1,258,857	30.29	38,130,779	6.0
1985	1,258,857	32.10	40,409,310	6.0

¹Actual 1982 care days and costs are those reported as of December 13, 1982. Due to lag in reporting care days actually provided in fiscal 1982 may be understated calling for revisions to the above table as more information is made available.

The following table shows the annual 1985 biennium nursing home costs occurring under the department's proposed rules and inflation rates, and the annual costs under the above current level analysis.

Table 28
Nursing Home Costs Comparison

<u>Assumption</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>Total</u>
Department Request	\$40,069,825	\$42,090,020	\$82,159,845
Current Level	<u>38,130,779</u>	<u>40,409,310</u>	<u>78,540,089</u>
Difference	<u>\$ 1,939,046</u>	<u>\$ 1,680,710</u>	<u>\$ 3,619,756</u>

Issue 1: Nursing Home Costs

The department request is above current level due to two factors. First, the department is asking for an increase of 35,388 care days. Second, the department used 9 percent inflation rather than 6 percent. In fiscal 1984 the difference in care days costs \$1,071,902 and the difference in cost per day is \$867,144.

The department was requested to use their formula at 6 percent inflation for the average cost per day. However, they were not able to produce this within the two weeks' time frame. When the price per day formula is used at 6 percent inflation and the care days are not increased, the cost may be less than that included as current level.

OPTIONS

Option a: Adopt the department's proposal for increased care days and a 9 percent inflation factor. This will cost general fund \$735,481 in fiscal 1984 and \$637,494 in fiscal 1985. Federal medicaid will increase correspondingly.

Option b: Maintain current care days and increase the rate at 6 percent over that budgeted by the 1981 Legislature. This is included in current level.

Option c: Examine what it would cost to use the department's formula for the cost per day at 6 percent inflation and current level care days.

AUDIT AND PROGRAM COMPLIANCE DIVISION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Recommended Fiscal 1984	Fiscal 1985	% Change Biennium 1983-85
FTE	39.00	39.00	36.00	36.00	(7.6)
<u>Fund Source</u>					
General Fund Approp.	\$409,340	\$ 482,156	\$ 451,025	\$ 454,595	1.5
Other Funds Approp.	406,163	659,606	592,048	596,735	11.5
Other Funds Non-App.	<u>52,953</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Funds	<u>\$868,456</u>	<u>\$1,141,762</u>	<u>\$1,043,073</u>	<u>\$1,051,330</u>	<u>4.1</u>
<u>Expenditures by Object</u>					
Personal Services	\$687,573	\$ 892,199	\$ 836,367	\$ 835,290	5.8
Operating Expenses	124,169	248,063	145,146	154,480	(19.5)
Equipment	<u>3,761</u>	<u>1,500</u>	<u>1,560</u>	<u>1,560</u>	(40.6)
Total Operating Costs	\$815,503	\$1,141,762	\$ 983,073	\$ 991,330	0.8
Non-Operating Expenses	<u>52,953</u>	<u>-0-</u>	<u>60,000</u>	<u>60,000</u>	126.6
Total Expenditures	<u>\$868,456</u>	<u>\$1,141,762</u>	<u>\$1,043,073</u>	<u>\$1,051,330</u>	<u>4.1</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Program Funding	\$241,612	\$(241,612)	\$243,320	\$(243,320)
2. Program Expansion				
Option a.	\$224,986	\$ 48,827	\$226,658	\$ 49,186
Option b.	179,832	3,673	181,167	3,696

The Audit and Program Compliance Division is composed of the Audit Bureau and the Program Integrity Bureau. The Audit Bureau is responsible for meeting the department's audit obligations as provided for in-state and federal regulations. Audits are conducted on DD providers, area agencies on aging, foster care homes, food stamp issuance offices, Social Services block grant contracts, refugee contracts, Randolph Sheppard vendors (Visual Services), and grants-in-aid to counties.

The Program Integrity Bureau is composed of four units. The Quality Control Unit reviews eligibility determinations made at the county level for Food Stamp, Medicaid, and AFDC recipients. The Quality Assurance Bureau performs analyses of eligibility determination problems to determine changes needed in procedures manuals, areas where eligibility technicians require training, and other general sources of error in eligibility determinations. The recoveries unit is responsible for collections of (a) overpayments on AFDC and Food Stamps, (b) payments to medicaid providers from responsible third parties, and (c) assistance payments from estates of deceased clients. The Survey/Utilization Review Unit operates a computerized system mandated by federal regulations to detect abuse and fraud attributable to recipients and providers in Food Stamp, AFDC, and medicaid programs.

Current Level Adjustments

The program has undergone substantial functional changes since the last biennium. Responsibility for nursing home audits was transferred to the Medical Assistance Program and responsibility for Low Income Energy Assistance Program (LIEAP) quality control was transferred to the Social Services Program. The program assumed responsibility for the recoveries functions and the Survey/Utilization Review functions. These functional shifts require a greater amount of time doing field audits and less time doing desk audits (i.e., nursing homes). Consequently, travel costs in fiscal 1982 rose from an appropriated level of \$38,182 to an actual expense of \$45,842. Current level contracted services are increased by \$9,000 for federal requirements associated with the Survey/Utilization Review system. Actual rent expense of \$40,636 exceeded budgeted rent expense of \$29,768, reflecting transfer of the Quality Control Unit from the Economic Assistance Division to the Audit and Program Compliance Division. Equipment rental expense was reduced \$3,548 for payments on a mag card lease expected to be fully paid prior to the 1985 biennium. Equipment is budgeted per program request at \$1,560 annually.

Personal services has been reduced 3.00 FTE for three vacancies not filled at year-end. These positions include an administrative officer, an administrative assistant, and an auditor. The administrative officer position was unfilled all year, the administrative assistant position was filled

only 17 percent of the year. One auditor was removed for two auditing positions filled one-third of the year. Actual fiscal 1982 vacancy savings was 13.5 percent. Vacancy savings recommended for the 1985 biennium is 6.5 percent.

Error Rates and Sanctions

One of the functions of the Audit and Program Compliance Division is to monitor and provide a control on error rates in AFDC, Food Stamp, and Medicaid Programs. The federal government can impose fiscal sanctions on the states when error rates exceed tolerance levels. One of the measures of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) was to tighten these error rates. In the AFDC Program the Act provides for reductions in federal funding for error rates in excess of 4 percent in federal fiscal year 1983, and 3 percent in 1984 and 1985. Montana should have little difficulty in attaining error rates below the tolerance levels. Currently, the AFDC error rate is around 1.1 percent.

Montana has had no difficulty in the recent past with error sanctions in the Food Stamp Program and expects no difficulty in the future. Previously, under-issuances as well as over-issuances of food stamps was considered an error. In the future, only over-issuances will be considered an error.

In the Medicaid Program, prospective sanctions are to be applied beginning the second half of fiscal 1983 for states exceeding a 3 percent error rate, but the secretary is given discretion for states that have made a good faith effort to reduce error rates. While Montana's medicaid error rates have been exceedingly high in the past, two recent revisions to the eligibility criteria should alleviate much of this problem.

The following table shows error rates for each of the above discussed programs for recent time periods.

Table 29
AFDC, Food Stamp, and Medicaid Error Rates

<u>Period</u>	<u>AFDC</u>	<u>Food Stamp</u>	<u>Medicaid</u>
10/79-3/80	---	10.0%	13.3%
4/80-9/80	9.3%	11.4	16.6
10/81-3/81	6.9	15.7	18.1
4/81-9/81	3.6	13.9	11.7
10/81-3/82	1.1	6.6	8.8 (estimate)

Issue 1: Funding

Under the department's proposal, funding for the Audit and Program Compliance Division was to be 43 percent general fund and 57 percent federal funds. However, given uncertainties in federal funding, the department revised its request to provide for 64 percent general fund and 36 percent federal funds. We have maintained general funds at 43 percent (comparable to fiscal 1982).

OPTIONS

Option a: Provide for increased flexibility in funding due to uncertainties in federal funds by funding at 64 percent general fund. General fund expenditures are \$241,612 in fiscal 1984 and \$243,320 in fiscal 1985. Other funds decrease by equal amounts.

Option b: Continue with past funding patterns by funding at 43 percent general fund.

Issue 2: Program Expansion

The program has proposed the following schedule of activity to be conducted over the 1985 biennium in the Audit Bureau.

Table 30
Proposed Program Activity - 1985 Biennium

<u>Program</u>	<u>FY 1984 Audits</u>	<u>FY 1985 Audits</u>
Developmental Disabilities	20.0	28.0
Area Agencies on Aging	3.5	3.5
Residential Foster Care	10.0	12.0
Food Stamp Issuance Offices	25.0	25.0
Social Service Block Grant Contracts and Refugee Contracts	5.0	10.0
Randolph Sheppard Vendors	<u>4.0</u>	<u>4.0</u>
Total Audits	67.5 ====	82.5 ====

Based on an analysis of the time required to perform each type of audit, the bureau feels that 17 FTE are needed to complete the above case load. The bureau is currently not in compliance with requirements for auditing developmental disability home and area agencies on aging. In fact, five area agencies on aging have never been audited. Currently, the bureau has 11 FTE positions authorized. Six additional auditors are requested.

The program is also requesting two additional FTE in the Quality Assurance Program, one additional FTE in the Recoveries Unit, and one additional FTE in the Survey/Utilization Review Unit. The two FTE in the Quality Assurance Program would be used to further reduce and maintain low error rates. The FTE for the Recoveries Unit would replace an already authorized FTE on temporary appointment, and the FTE requested in the Survey/Utilization Review Unit would be used to monitor, gather and interpret information retrieved from the system.

OPTIONS

Option a: Provide funding for an additional ten FTE. General fund is increased \$224,986, other funds are increased \$48,827 in fiscal 1984; general fund is increased \$226,658, other funds are increased \$49,186 in fiscal 1985.

Option b: Provide funding for an additional six auditors. General funds is increased \$179,832, other funds are increased \$3,673 in fiscal 1984; general fund is increased \$181,167 and other funds are increased \$3,696 in fiscal 1985.

Option c: Do not expand the program.

VOCATIONAL REHABILITATION PROGRAM

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	75.35	75.35	72.55	72.55	(3.7)
<u>Fund Source</u>					
General Fund Approp.	\$ 623,715	\$1,206,800	\$ 589,152	\$ 694,306	(29.8)
Other Funds Approp.	1,359,383	1,209,290	3,999,233	4,046,882	213.2
Other Funds Non-App.	<u>2,337,894</u>	<u>2,144,375</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$4,320,992</u>	<u>\$4,560,465</u>	<u>\$4,588,385</u>	<u>\$4,741,188</u>	<u>5.0</u>
<u>Expenditures by Object</u>					
Personal Services	\$1,341,092	\$1,567,195	\$1,533,310	\$1,531,183	5.3
Operating Expenses	296,359	333,045	332,005	358,375	9.6
Equipment	<u>7,155</u>	<u>1,850</u>	<u>4,248</u>	<u>4,479</u>	<u>(3.0)</u>
Total Operating Costs	\$1,644,606	\$1,902,090	\$1,869,563	\$1,894,037	6.1
Non-Operating Costs	<u>2,676,386</u>	<u>2,658,375</u>	<u>2,718,822</u>	<u>2,847,151</u>	<u>4.3</u>
Total Expenditures	<u>\$4,320,992</u>	<u>\$4,560,465</u>	<u>\$4,588,385</u>	<u>\$4,741,188</u>	<u>5.0</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Extended Employment	\$105,729	\$ -0-	\$105,729	\$ -0-
2. Program Contraction	\$(19,000)	\$ (77,000)	\$(19,000)	\$ (77,000)

This program provides services to vocationally handicapped individuals of employable age to restore them to gainful employment. Eligibility for

services is determined by (1) the presence of a physical or mental disability which constitutes or results in a substantial handicap to employment; and (2) a reasonable expectation that vocational rehabilitation services may benefit the individual in terms of employability. Other services include the extended employment (EE) program, a fully state-funded program, which provides services to individuals who are physically, mentally, or emotionally handicapped and not considered capable of competitive employment. Approximately half of all cases served are considered to be of a severe disability nature. The state program for providing services to individuals with chronic renal disease was transferred from this program to the Medical Assistance Program in fiscal 1982 by the department.

Current Level Adjustments

Personal services is reduced by 2.35 FTE, representing elimination of one clerical and two rehabilitation counselor positions. These positions were vacant the majority of fiscal 1982. In addition, three positions whose salaries should have been allocated 15 percent to Visual Services, but were not, were reduced .15 FTE each, for total FTE reduction of 2.80. Actual vacancy savings in the program was 7.1 percent in fiscal 1982. A 6.0 percent vacancy savings factor is recommended for the 1985 biennium.

Fiscal year 1982 appropriations for operating expenses totaled \$307,171. Actual expenditures in fiscal 1982 were \$296,362. Current level operating expenses for contract services are reduced \$3,000 for costs associated with implementing the Client Tracking and Claims Payment System. Travel is increased \$3,000 to compensate for increased travel necessitated by counselors having to travel to areas formerly having their own counselors. Expenses for office equipment repairs were reduced by \$1,126 in response to funding provided for new office equipment; and inordinately high communication expenses were reduced \$934.

Within the current level budget is \$4,248 in fiscal 1984 and \$4,479 in fiscal 1985 for purchase of new typewriters and dictaphone/transcribers. The latest purchase date on the existing equipment is 1976, and repair costs are beginning to reflect full depreciation of this equipment.

Program benefits totaled \$2,676,386 in fiscal 1982. Benefits at current level provide for an annual increase of 6 percent. This results in

total benefits of \$2,718,822 in fiscal 1984 and \$2,847,151 in fiscal 1985. The Vocational Rehabilitation Division is requesting total benefits of \$2,840,503 in fiscal 1984 and \$3,036,291 in fiscal 1985 or \$121,681 more than current level in 1984 and \$189,140 more than current level in 1985.

Funding

In addition to general fund, this program receives funds from the following sources: "Section 110" of the Vocational Rehabilitation Act, Supplemental Security Income (SSI), Social Security Disability Income (SSDI), Comprehensive Employment and Training Act (CETA), and the Industrial Accident and Rehabilitation Account (IARA). Currently, little information exists regarding the exact level of future funding for most of the sources. The major source of funding is Section 110 funds, which require a 20 percent match from the state.

In funding the program we have increased fiscal 1982 SSI and SSDI benefit levels for 6 percent inflation. The excess of projected SSI and SSDI revenue over projected benefit levels has been applied to administration. The combination of section 110 and IARA benefits were inflated at 6 percent. Available IARA funds have been used to match and to replace Section 110 benefit payments. Any remaining Section 110 is applied to administration. Administration funding requirements in excess of SSI, SSDI, and Section 110 funding are met with federal training fund and general fund. The extended employment program is funded at \$230,000 general fund annually, which is the appropriation provided in the 1983 biennium. This results in total general fund of \$589,152 in fiscal 1984 and \$694,306 in fiscal 1985.

To compensate for uncertainty in future federal funding, the program is requesting general fund of \$767,546 in fiscal 1984 and \$934,998 in fiscal 1985.

Issue 1: Extended Employment

The program has requested \$105,729 of additional general funding in each year of the 1985 biennium to remove vocational rehabilitation clients from the waiting list in the Extended Employment Program. These funds

would be used to place individuals in sheltered workshop employment environments as an alternative to institutionalization, dependency, and idleness. Funding for this program was set at \$230,000 annually in the 1983 biennium. There are currently 40 individuals on the waiting list for this program. Twenty of these individuals are on the waiting list at the Easter Seal Adult Training Center in Great Falls. In 1980, there were 46 individuals on this waiting list. Prior to receiving increased funding for extended employment, the program should adequately demonstrate that workshops have the capacity to absorb the additional client load, or that movement through the program will be sufficient to allow the placement of individuals on the waiting list.

OPTIONS

Option a: Provide for program expansion increasing general fund requirements \$105,729 annually.

Option b: Do not provide for the expansion or provide for an alternative level of expansion.

Issue 2: Program Contraction

The final report from the Governor's Council on Management has recommended that three rehabilitative services division district offices should be closed. These offices are located at Lewistown, Warm Springs, and Deer Lodge. The report argues that these offices operate at less than half the average work load. Warm Springs and Deer Lodge cases would be covered by personnel out of the Butte office, while Lewistown cases would be covered out of the Billings offices.

OPTIONS

Option a: Close the three district offices effecting savings of approximately \$19,000 in state funds and \$77,000 in other funds annually.

Option b: Do not close the three district offices or close just one or two of them.

DISABILITY DETERMINATION

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	33.13	33.13	33.13	33.13	0.0
<u>Fund Source</u>					
Other Funds Approp.	\$1,518,149	\$1,421,732	\$1,881,047	\$2,042,098	33.4
Total Funds	\$1,518,149 =====	\$1,421,732 =====	\$1,881,047 =====	\$2,042,098 =====	33.4 =====
<u>Expenditures by Object</u>					
Personal Services	\$ 771,932	\$ 899,351	\$ 802,915	\$ 801,618	(3.9)
Operating Expenses	697,149	480,966	992,433	1,170,308	83.5
Equipment	7,868	385	37,539	18,400	577.8
Total Operating Costs	\$1,476,949	\$1,380,702	\$1,832,887	\$1,990,326	33.7
Non-Operating Exp.	41,200	41,030	48,160	51,772	21.5
Total Expenditures	\$1,518,149 =====	\$1,421,732 =====	\$1,881,047 =====	\$2,042,098 =====	33.4 =====

The primary function of this federally funded program is to provide determinations of disability for individuals receiving Supplemental Security Income (SSI) and Social Security Disability Income (SSDI) benefits, and for disabled individuals receiving benefits under the state Medically Needy Program. In addition, the Disability Determination Bureau reviews cases to determine if clients should remain on current rolls or be suspended from the program.

Current Level Adjustment

Current level is adjusted per program request to compensate for work load and staffing patterns present in the final quarter of fiscal 1982. The following table shows the original appropriation, actual 1982 operating expenses, current level adjustments, and the adjusted base.

Table 31
Base Adjustment - Disability Determination Program

	<u>Appropriation</u>	<u>1982 Actual Expenditure</u>	<u>Current Level Adjustments</u>	<u>Adjusted Base</u>
Contracted Services	\$336,638	\$557,456	\$47,168	\$604,624
Supplies	3,137	5,476	9,077	14,553
Communications	28,844	50,370	16,434	66,804
Travel	4,999	10,217	5,007	15,224
Rent	63,836	67,507	(1,189)	66,318
Repairs	2,529	5,160		5,160
Other	<u>1,427</u>	<u>963</u>	<u>-0-</u>	<u>963</u>
Total	<u>\$441,410</u> =====	<u>\$697,149</u> =====	<u>\$76,497</u> =====	<u>\$773,646</u> =====

Expenditures exceeded appropriations in fiscal 1982 as a result of a budget amendment of \$476,505. The additional funding was used primarily for the purchase of medical evidence, either through consultative examinations or payment for copies of medical records.

The budget amendment was also used to add an additional eight positions (6.65 FTE) to the program. These positions were not filled in fiscal 1982. Staffing levels are authorized by the federal government as well as state government, and federal authorization for more than current level FTE has not been provided. Consequently, FTE are held at 33.13 pending notification from the federal government that increased staffing levels have been authorized.

Actual vacancy savings were 17.4 percent in fiscal 1982. A 5.0 percent vacancy savings is recommended in the 1985 biennium.

Although the program is, for the most part, federally funded, state general fund indirectly provides some support. The disability determination bureau contracts with the Economic Assistance Division (EAD) to provide determinations on claims in the state medically needy program. These determinations are paid for by EAD with a 50/50 mix of federal funds and general fund.

The following table shows actual and projected number of cases, average cost per case and total cost of providing these determinations. In addition to these costs, general fund pays for half of the transportation costs involved. Total general fund expense for transportation was about \$9,750 in fiscal 1982.

Table 32
Medically Needy Disability Determination Costs

<u>Fiscal Year</u>	<u>No. Cases</u>	<u>Average Cost Per Case</u>	<u>Total Cost</u>
1980	202	\$144	\$29,180
1981	186	184	34,165
1982	148	195	28,925
-----Projected-----			
1983	148	211	31,228
1984	148	227	33,596
1985	148	246	36,408

Due to the steady drop in case load, the current level case load projections for fiscal 1983 and beyond are held constant. The department has projected a 35 percent case load increase between fiscal 1982 and 1983. However, the continuous yearly drop in case load does not support any increased case load projections.

VISUAL SERVICES PROGRAM

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Fiscal <u>1984</u>	Level Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	21.65	21.65	21.45	21.45	0.9
<u>Fund Source</u>					
General Fund Approp.	\$168,221	\$254,525	\$240,909	\$257,161	17.8
Other Funds Approp.	374,195	371,336	526,142	528,946	41.5
Other Funds Non-App.	<u>158,104</u>	<u>169,792</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	\$700,520 =====	\$795,653 =====	\$767,051 =====	\$786,107 =====	3.8 ==
<u>Expenditures by Object</u>					
Personal Services	\$374,321	\$425,101	\$478,139	\$477,431	19.5
Operating Expenses	88,950	100,484	92,648	99,682	1.5
Equipment	<u>2,464</u>	<u>350</u>	<u>675</u>	<u>966</u>	<u>(41.6)</u>
Total Operating Costs	\$465,735	\$525,935	\$571,462	\$578,079	15.9
Non-Operating Cost	<u>234,785</u>	<u>269,718</u>	<u>195,589</u>	<u>208,028</u>	<u>(19.9)</u>
Total Expenditures	\$700,520 =====	\$795,653 =====	\$767,051 =====	\$786,107 =====	3.8 ==

The Visual Services Program provides vocational rehabilitation services to the blind and visually impaired. In addition to physical restoration, services include rehabilitation teaching, vocational training, orientation and mobility, vending services business enterprises, independent living skills, extended employment, and visual services medical. This last service is a state-funded program to provide assistance to visually impaired individuals who otherwise do not qualify for visual services rehabilitation. Independent living skills is a two-week program offered two or three times a year for individuals initially experiencing blindness.

Current Level Adjustments

The 1981 Legislature appropriated \$94,244 for operating expenses in fiscal 1982. Actual expenditures totaled \$88,950. Contract services were budgeted for \$5,437; actual expenses incurred were \$15,160. The major share of the excess of expenditures over appropriations is accounted for

by increased data processing associated with the newly implemented Client Tracking and Claims Payment System. Contracted services expenditures are reduced \$2,000 for one-time data processing costs, and \$1,782 for an accounting error which misclassified grants and benefits as operating expense.

Rent expense, budgeted at \$42,829, totaled \$26,522. The difference reflects consolidation of the Vocational Rehabilitation Program and the Visual Services Program within the same area. In fiscal 1982, Visual Services offices were closed in Kalispell and Glasgow. Rent expense was reduced an additional \$2,938 to reflect these closures.

Personal services was reduced by .65 FTE in response to vacancies not refilled during fiscal 1982. This represents a .15 FTE rehabilitation counselor position no longer in Glasgow. In addition, current level salaries were increased for three FTE positions which should have had 15 percent of their salaries and benefits allocated to the program but did not. Salaries and benefits in the Vocational Rehabilitation Program were correspondingly reduced. Finally, three additional positions have recently been split 15/85 between the Visual Services Program and the Vocational Rehabilitation Program. Consequently, three .15 FTE positions have been added to Visual Services with a corresponding decrease in vocational rehabilitation.

Fiscal 1982 vacancy savings was approximately 10 percent. A vacancy savings factor of 3.5 percent is recommended for the 1985 biennium.

The program was provided \$1,641 over the 1985 biennium for equipment to cover the purchase of one typewriter and one dictaphone/ transcriber.

Extended employment services cost \$3,970 in fiscal 1982. The agency is requesting that no extended employment benefits be provided through the Visual Services Program in the 1985 biennium.

Funding

The Visual Services Program shares the same funding sources with the Vocational Rehabilitation Program. These include Supplemental Security Income (SSI), Social Security Disability Income (SSDI) and Section 110 of the Vocational Rehabilitation Act funding. Uncertainties regarding these

funding sources are discussed in the section on vocational rehabilitation. In addition, general fund is provided for the Visual Medical Program and a small amount of funding is provided from donations.

Current level provides for a 6 percent increase in Section 110 and SSDI benefits. Expected revenues from these sources in excess of these benefit amounts were applied to administration. The balance of administration requirements was funded with general fund.

DEVELOPMENTAL DISABILITIES

	Actual Fiscal <u>1982</u>	Appropriated Fiscal <u>1983</u>	LFA Current Level Fiscal <u>1984</u>	Fiscal <u>1985</u>	% Change Biennium <u>1983-85</u>
FTE	42.88	39.25	39.25	39.25	(4.4)
<u>Fund Source</u>					
General Fund Approp.	\$10,092,112	\$11,146,946	\$11,578,137	\$12,323,313	12.5
Other Funds Approp.	834,367	1,612,132	1,569,942	1,550,353	27.5
Other Funds Non-App.	<u>312,825</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$11,239,304</u>	<u>\$12,759,078</u>	<u>\$13,148,079</u>	<u>\$13,873,666</u>	<u>12.5</u>
<u>Expenditures by Object</u>					
Personal Services	\$ 897,996	\$ 1,007,023	\$ 1,002,794	\$ 1,001,291	5.2
Operating Expenses	221,649	241,204	284,699	303,333	27.0
Equipment	<u>4,533</u>	<u>1,250</u>	<u>3,000</u>	<u>-0-</u>	<u>(48.1)</u>
Total Operating Costs	\$ 1,124,178	\$ 1,249,477	\$ 1,290,493	\$ 1,304,624	9.3
Non-Operating Expend.	<u>10,115,126</u>	<u>11,509,601</u>	<u>11,857,586</u>	<u>12,569,042</u>	<u>12.9</u>
Total Expenditures	<u>\$11,239,304</u>	<u>\$12,759,078</u>	<u>\$13,148,079</u>	<u>\$13,873,666</u>	<u>12.5</u>

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Waiting List	\$1,650,677	\$ -0-	\$2,576,016	\$ -0-
2. Deinstitutionalization	\$ 509,540	\$ -0-	\$1,022,292	\$ -0-
3. Group Home Salaries	\$1,400,000	\$ -0-	\$1,400,000	\$ -0-
4. New Services	\$ 623,292	\$ -0-	\$ 660,674	\$ -0-

The Developmental Disabilities Division is charged with contracting for the provision of community-based services for individuals disabled by mental retardation, epilepsy, cerebral palsy, and autism. The program was initiated with a commitment from the 1975 Legislature to promote a least restrictive, community-based living environment for developmentally disabled persons as an alternative to institutionalization. Services provided under the program include day services, vocational placement, transportation, adult and child group homes, semi-independent living, evaluation and diagnosis, family training, and respite services.

Current Level Adjustments

Personal services has been reduced 3.63 FTE. This reduction represents eight positions vacant at fiscal year-end and no longer requested by the department. Actual vacancy savings was 6.3 percent in fiscal 1982. Given the reduction in FTE, a 3.5 vacancy savings factor is recommended for the 1985 biennium.

Actual operating expenses were \$221,649 in fiscal 1982. These expenses have been adjusted upwards by \$19,500 for increased data processing cost associated with a new Client Data Base System. The new system should greatly facilitate reporting and analysis. Year-to-date provider payments, contract budget reports, contract status reports, and a summary report including year-to-date units provided and average cost per unit are some of the features of the new system.

Travel expenses were adjusted upwards by \$15,000 to take account of time spent in preparation for Special Session I that otherwise would have been spent traveling. Per program request equipment rent is reduced \$1,800 for a total adjusted operating expenditure base of \$254,344.

Equipment expense is funded at \$3,000 to provide for the purchase of one CRT for monitoring the Client Data Base System.

Benefits

The following table shows the funds available for DD benefits during fiscal 1982.

Table 33 Funds Available and Expenditures for Developmentally Disabled Fiscal 1982	
<u>Fund Source</u>	<u>Amount</u>
Original Appropriation (current level)	\$ 9,110,500
Original Appropriation (expansion)	725,600
Special Session Reduction	(108,000)
Medicaid Waiver	371,242
Transfer General Fund from Operations to Benefits	15,000
DDPAC Grant	25,984
Transfer DD Expansion Funds to Social Services Program	(25,480)
Total Available Funds	\$10,114,846 =====
<u>Fund Disbursement</u>	
Program Benefits	\$10,107,059
DD Conference	8,071
Total Disbursements	\$10,115,130 =====

The transfer of \$25,480 of expansion funds to the Social Services Program was to provide increased Supplemental Security Income (SSI) payments required when DD clients, removed from a nursing home, became eligible for SSI as a result of the Title XIX waiver. The medicaid waiver, which provides funds for placement of the developmentally disabled from institutions into lower cost community-based services, allowed expenditures to exceed appropriations in fiscal 1982.

The following table shows, by service category, the total cost anticipated and the total cost actually incurred in fiscal 1982.

Table 34
Total Cost Anticipated and Incurred for Current Level Services
Fiscal 1982

<u>Anticipated Service</u>	<u>Anticipated Total Cost</u>	<u>Actual Total Cost</u>	<u>Difference</u>
Day Programs	\$4,625,600	\$4,351,942	\$(273,658)
Transportation	666,792	622,559	(44,233)
Adult Homes	1,457,676	1,629,966	172,290
Children's Homes	597,724	616,359	18,635
Semi-Independent	375,060	415,268	40,208
Respite Care	214,722	216,180	1,458
Family Services	904,032	843,782	(60,250)
Evaluation/Diagnosis	176,169	170,411	(5,758)
Adaptive Equipment	42,725	60,828	18,103
Total	\$9,060,500 =====	\$8,927,295 =====	\$(133,205) =====
<u>New Services</u>			
Crews-in-industry	\$ -0-	\$ 6,166	\$ 6,166
Vocational Placement	-0-	9,311	9,311
Intensive Home	-0-	153,091	153,091
Total	\$ -0-	\$ 168,568	\$ 168,568
Grand Total	\$9,060,500 =====	\$9,095,863 =====	\$ 35,363 =====

Three new services were initiated in fiscal 1982. Intensive homes are for DD clients requiring a high level of supervision and care. Vocational placement is designed to place eligible DD clients in the work community with permanent, full-time jobs. Crews-in-industry, started at the Billings work shop, is a supervised program designed to provide DD clients with work experience at changing work sites. The program did not meet with much success, however, and is not expected to continue into the 1985 biennium.

Current level funding for the 1985 biennium is based on the actual number of service slots provided in fiscal 1981, the number of additional slots expected to be made available from expansion funds and the medicaid waiver by the end of fiscal 1983.

Service Slots

The following table compares the current level number of services anticipated by the legislature to services the department said they provided in fiscal 1982.

Table 35
Comparison of Actual Anticipated Service Slots
Fiscal 1982

<u>Service</u>	<u>-----Service Slots-----</u>		<u>Difference</u>
	<u>Anticipated</u>	<u>Actual</u>	
Day Programs	944	959	15
Transportation	882	945	63
Adult Homes	396	388	8
Children's Homes	46	46	00
Semi-Independent	133	147	14
Respite Care	474	453	(21)
Family Services	344	344	00

The current level service slots for the 1985 biennium include the expanded service slots made available through the additional general fund and medicaid waiver. Table 36 shows the number of service slots available July 1, 1983 for the 1985 biennium.

Table 36
Number of Service Slots for Community Developmentally Disabled
at July 1, 1983

<u>Services</u>	<u>Current Level</u>	<u>Expansion</u>	<u>Total</u>
Day Programs	959	161	1,120
Transportation	945	73	1,018
Adult Homes	388	37	425
Children's Homes	46	0	46
Semi-Independent	146	78	224
Respite Care	453	3	456
Family Services	344	28	372
Intensive Home	0	32	32

Cost Per Service Slot

During the 1983 biennium there has been considerable variation between the cost per service slot contracted for by SRS and the cost per service slot anticipated during the appropriation process. Table 37 compares the anticipated cost to the contracted cost per service slot.

Table 37
Anticipated versus Contracted Cost Per Service Slot
1983 Biennium

<u>Services</u>	<u>FY '81 Actual</u>	<u>-----FY 1983----- Contracted</u>	<u>Anticipated</u>	<u>----Percent Increase---- Anticipated</u>	<u>Contracted</u>
Day Program	\$ 4,496	\$ 5,292	\$ 4,646	17.7	3.3
Transportation	652	877	736	34.5	12.9
Adult Homes	3,298	4,113	5,121	24.7	55.3
Children's Homes	11,636	14,510	16,374	24.7	40.7
Semi-Independent	2,587	3,045	3,064	17.7	18.4
Respite Care	416	490	502	17.8	20.7
Family Service	2,411	2,838	2,504	17.7	3.9

As shown in the tables, adult homes and children's home costs increased substantially above the cost increases anticipated. Day programs and family service costs increase substantially less than the inflation costs anticipated in the appropriation.

Current Level Costs

Table 38 shows the cost per service that is included in the current level budget. The costs are inflated at 6 percent annually from the contracted fiscal 1983 cost per service.

Table 38
Cost for Current Level Services
1985 Biennium

Old Services	Service Slots	Cost per Service		-----Total Cost-----	
		FY '84	FY '85	FY '84	FY '85
Day Programs	1,120	\$ 4,925	\$ 5,220	\$ 5,515,817	\$ 5,846,766
Transportation	1,018	780	827	794,130	841,778
Adult Homes	425	5,428	5,754	2,306,944	2,445,361
Children's Homes	46	17,356	18,398	798,334	846,234
Semi-Independent	224	3,249	3,442	727,483	771,132
Respite Care	456	532	564	242,577	257,132
Family Services	372	2,654	2,813	987,470	1,046,718
Evaluation/Diagnosis	269	1,569	1,663	422,102	447,428
Adaptive Equipment	160	392	416	62,729	66,493
Total				\$11,857,586	\$12,569,042
				=====	=====

Issue 1: Waiting List Expansion

The following table compares the number of service slots needed as determined in the Legislative Finance Committee study of developmentally disabled and the anticipated number available at the beginning of the 1985 biennium.

Table 39
Comparison of Service Slots Available
and Service Slots Needed for the
1985 Biennium

Services	Slots Needed	Slots Avail.	Difference
Day Services	1,345	1,120	225
Transportation	1,271	1,018	253
Children's Group Home	87	46	41
Adult Group Home	708	425	283
Semi-Independent Support	274	224	50
Family Training	470	372	98
Respite	406	456	(50)
Total	4,561	3,661	900
	=====	=====	===

The number of slots needed may change over time due to uncertainties in movement through the system and the number of special education students graduated.

The SRS expansion plan calls for placing an additional 321 clients over the 1985 biennium in the program by placing a strong emphasis on expansion in supervised, semi-independent living, supported semi-independent programs, and day services. These represent the least restrictive and less costly alternatives for DD clients. Expansion in these areas promotes movement through the system and frees up current level slots for new clients to enter the system. This prevents expansion in more costly, highly staffed group home services.

If 321 new clients are to be served basically in semi-independent and day program services, the department needs to explain who needs these services, as the waiting list from early 1982 shows only 55 needing semi-independent and 215 needing day programs.

The following table shows the department's assessment of the costs associated with the expansion proposal. As with the current biennium, start-up costs are dominant in the first year and operating costs make up the majority of the second year costs.

Table 40
DD Program Waiting List Expansion
1985 Biennium

	<u>FY 1984</u>	<u>FY 1985</u>	<u>Biennium</u>
Start-up Costs	\$ 880,000	\$ 280,000	\$1,160,000
Operating Costs	740,725	2,199,917	2,940,642
State SSI	<u>29,952</u>	<u>96,099</u>	<u>126,051</u>
Total Cost	\$1,650,677	\$2,576,016	\$4,226,693

The more relevant information on the expansion would be the cost to develop a service slot, the number and type of service slots to be developed and the annual cost per year per service slot developed. This information should be presented to the legislature during session.

OPTIONS

Option a: Adopt the expansion proposal as drafted by the division. General fund costs increase \$1,650,677 in fiscal 1984 and \$2,576,016 in fiscal 1985.

Option b: Do not provide funding for expansion, or provide funding for an alternative level of expansion.

Issue 2: Deinstitutionalization

The 1981 Legislature did not specifically appropriate funds for deinstitutionalization in the 1983 biennium. Consequently, it is anticipated that about seven individuals will be deinstitutionalized in the 1983 biennium. The department has indicated that there are approximately 80 individuals residing in Boulder River School and Hospital and Eastmont that have been identified as being a priority for placement and able to benefit from community-based services. The proposed plan provides for deinstitutionalization for 33 persons. Total biennium costs of the proposal are \$1,531,832 distributed as follows.

Table 41
Deinstitutionalization Costs for 33 People
1985 Biennium

	<u>FY 1984</u>	<u>FY 1985</u>	<u>Biennium</u>
Start-up Costs	\$175,000	\$ 120,000	\$ 295,000
Operating Costs	320,812	868,388	1,189,200
State SSI	<u>13,728</u>	<u>33,904</u>	<u>47,632</u>
Total	\$509,540 =====	\$1,022,292 =====	\$1,531,832 =====

Again, information on the number of service slots to be provided is not available. It should be presented during session.

The costs are based on providing day service, transportation and group home services to 19 clients in fiscal 1984 and 33 clients in fiscal 1985. The expected annual cost of providing these services is presented in the following table.

Table 42
Annual Cost per Service - Deinstitutionalization Proposal

<u>Service</u>	<u>FY 1984</u>	<u>FY 1985</u>
Day Program	\$ 5,580	\$ 6,024
Transportation	996	1,152
Intensive Training Homes		
Lower Functioning Clients	21,300	23,424
Behavior Problem Clients	26,616	28,800
Physically Handicapped Clients	21,300	23,424

The following table shows the difference in cost between institutionalized and community-based services in fiscal 1984 and 1985, assuming normal inflationary growth and the department's estimate of community-based service costs for this proposal over the biennium.

Table 43
Difference in Cost between Community-Based Services
and Institutional Services

<u>Service Location</u>	<u>FY '84</u>	<u>FY '85</u>
Boulder	\$44,412	\$45,166
Eastmont	37,708	38,257
Community-Based Services		
Behavior Problem Clients	33,192	35,976
Physically Handicapped	27,876	30,600
Lower Functioning Clinets	27,876	30,600
Special Education	3,350	3,350
Day Services	5,580	6,025

The above costs are not directly comparable in that some medical costs are included in the costs for Boulder. No medical costs are included in the Eastmont or community-based services costs.

As the table shows, community based service costs, which include costs for group homes, day services, and transportation, are lower than costs at Boulder and Eastmont. If the client being placed required special education services rather than day services, community-based services

would be approximately \$2,230 lower in fiscal 1984 and \$2,475 lower in fiscal 1985.

Also, removing a client from Boulder for community placement will not save the difference in cost between Boulder and a community setting. While there will be some savings realized through marginal reductions in FTE, food, and miscellaneous costs, the majority of costs at Boulder are fixed costs not changing with variations in client load.

OPTIONS

Option a: Adopt the deinstitutionalization program as proposed. General fund expenditures increase \$509,540 in fiscal 1984 and \$1,022,292 in fiscal 1985.

Option b: Do not provide funding for deinstitutionalization, or fund at an alternative level.

Issue 3: Group Home Salaries

The program is requesting additional funding of \$1,400,000 annually to increase group home direct care providers' salaries. The request is based on estimates of what it would take to make group home workers' salaries comparable to state employee salaries, where state employees are performing comparable jobs. Department figures indicate that group home employee salaries increased by about 21 percent between fiscal 1981 and fiscal 1983. An analysis of a sample of 15 group homes indicates that between 1981 and 1983 average salaries increased from \$8,652 to \$10,482. The number of FTE in the sample homes over the period remained the same at 92.

OPTIONS

Option a: Provide for the increase in salaries. General fund costs rise \$1,400,000 annually over the 1985 biennium.

Option b: Do not provide for the increase in salaries or fund for a different level of salary increase.

Issue 4: New Services

Intensive home and vocational placement services were started in fiscal 1982. Continuing to provide intensive home and vocational placement

services is anticipated to add \$1,283,966 to cost over the 1985 biennium. The following table shows the anticipated costs and slots for these services over the 1985 biennium.

Table 44
Anticipated Slots and Costs for New Services
1985 Biennium

<u>Service</u>	<u>Slots</u>	<u>-Cost per Service-</u>		<u>----Total Cost----</u>	
		<u>FY '84</u>	<u>FY '85</u>	<u>FY '84</u>	<u>FY '85</u>
Intensive Homes	32	\$18,526	\$19,635	\$592,832	\$628,384
Vocational Placement	10	3,046	3,229	<u>30,460</u>	<u>32,290</u>
Total Cost				<u>\$623,292</u>	<u>\$660,674</u>
				=====	=====

OPTION

Option a: Provide appropriations to continue the new services. General fund costs increase \$623,292 in fiscal 1984 and \$660,674 in fiscal 1985.

Option b: Do not fund the new services.

DEVELOPMENTAL DISABILITIES PLANNING & ADVISORY COUNCIL

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	2.30	2.30	2.00	2.00	(13.0)
<u>Fund Source</u>					
Other Funds Approp.	\$ 72,314	\$ 87,500	\$250,000	\$250,000	212.8
Other Funds Non-Approp.	<u>55,563</u>	<u>162,500</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Funds	<u>\$127,877</u> =====	<u>\$250,000</u> =====	<u>\$250,000</u> =====	<u>\$250,000</u> =====	<u>32.3</u> =====
<u>Expenditures by Object</u>					
Personal Services	\$ 41,652	\$ 46,093	\$ 46,036	\$ 45,981	4.8
Operating Expenses	30,631	41,307	33,680	35,207	(4.2)
Equipment	<u>31</u>	<u>100</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Operating Costs	\$ 72,314	\$ 87,500	\$ 79,716	\$ 81,188	0.6
Non-Operating Expend.	<u>55,563</u>	<u>162,500</u>	<u>170,284</u>	<u>168,812</u>	<u>55.5</u>
Total Expenditures	<u>\$127,877</u> =====	<u>\$250,000</u> =====	<u>\$250,000</u> =====	<u>\$250,000</u> =====	<u>32.3</u> =====

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Reducing Council	\$ -0-	\$ -0-	\$ -0-	\$ -0-

The Developmental Disabilities Planning and Advisory Council (DDPAC) was created by Public Law 95-602. Functions of the council include advising the department (SRS), other state agencies, councils, local governments, and private organizations on programs for services to the developmentally disabled; developing a plan for a statewide system of community-based services for the developmentally disabled; and serving in any capacity required by federal law for the administration of federal programs for services to the developmentally disabled (MCA, 53-20-206).

Current Level Adjustments

Current level operating costs are affected by federal and state statute. The Omnibus Reconciliation Act of 1981 (P.L. 97-35) placed a cap on the DD Act expenditure funding, limiting Montana's appropriation to \$250,000 annually. House Bill 500 of the 47th Legislature placed a \$175,000 limitation on biennium expenditures for operations. The remainder of the \$500,000 available could be used to improve direct client services only.

Current level operating expenses were not changed. Personal services expenditures were reduced by .30 FTE. This reduction reflects elimination of a program planner position. The duties of this position, which was filled only 40 percent of the time and vacant at fiscal year-end 1982, are being assumed by Developmental Disabilities Division staff. As a result, personal services expenditures are reduced \$6,336 in fiscal 1984 and \$6,312 in fiscal 1985. Actual vacancy savings in fiscal 1982 was 16.1 percent; 3.5 percent is recommended for the 1985 biennium.

Issue 1: Reducing Administration Costs of DDPAC

In a final report issued October, 1982, the Governor's Council on Management recommends a restructuring of the DDPAC. Currently, the make-up of the council is provided for in Section 2-15-2204 (2), MCA, which states:

"(1) The governor shall appoint a developmental disabilities planning and advisory council in accordance with the provisions of this section.

(2) The council is composed of 22 members and consists of the following:

(a) the directors of the departments of social and rehabilitation services, health and environmental sciences, and institutions or their designees;

(b) the superintendent of public instruction or a designee;

(c) one recognized private professional in each discipline of medicine, law, psychology, social work, and special education;

(d) two members of the state senate;

(e) two members of the state house of representatives;

(f) four consumers or representatives of consumers or consumer organizations in the discipline of developmental disabilities; and

(g) one member of each of the five regional councils provided for in 53-20-207, who shall also be consumers or representatives of consumers or consumer organizations in the discipline of developmental disabilities."

The Governor's Council argues that

"The 22-member group is too large to ensure effective leadership. Most of its work is devoted to awarding grants, but operating expenses account for more than one-third the current budget. To streamline operations, the size of the council should be reduced. Furthermore, separate staffing should be eliminated and assistance provided by the Developmental Disabilities Division. Implementation will create a smaller, more effective council while increasing the funds available to improve services for the disabled."

Council members are reimbursed for travel and are paid honorariums. Program travel expenses were \$13,511 in fiscal 1982 and honorariums paid totaled \$4,595. Reducing the size of the council and perhaps staff would reduce these expenditures. The legislature may wish to consider reducing the size of the DDPAC as a means of streamlining decision making and reducing operating expenses in the future. Funds not utilized for administration could be used as grants for DD services.

VETERANS' AFFAIRS PROGRAM

	Actual Fiscal 1982	Appropriated Fiscal 1983	LFA Current Fiscal 1984	Level Fiscal 1985	% Change Biennium 1983-85
FTE	20.50	20.50	18.50	18.50	(9.7)
<u>Fund Source</u>					
General Fund Approp.	\$437,501	\$489,670	\$480,474	\$485,279	4.1
Total Funds	\$437,501 =====	\$489,670 =====	\$480,474 =====	\$485,279 =====	4.1 ===
<u>Expenditures by Object</u>					
Personal Services	\$356,407	\$409,512	\$396,444	\$395,960	3.4
Operating Expenses	80,694	78,270	83,630	88,919	8.5
Equipment	400	1,888	400	400	(65.0)
Total Operating Costs	\$437,501 =====	\$489,670 =====	\$480,474 =====	\$485,279 =====	4.1 ===

ISSUES

	-----Fiscal 1984-----		-----Fiscal 1985-----	
	General Fund	Other Funds	General Fund	Other Funds
1. Program Discontinuation	\$480,474	\$ -0-	\$485,279	\$ -0-

The main function of the Veterans' Affairs Division is to assist Montana's veterans and their dependents in obtaining all veterans' benefits they are entitled to through federal and state law. Services are provided through nine division offices, each of which employs a veterans' service officer. Most of these officers travel to outlying communities in their service areas where they provide services at established contact points for a scheduled time period.

Assistance includes information on veterans' benefits, provision of Veterans' Administration (VA) forms, guidance in completing these forms, representation before regional VA appeals boards, and referral to other agencies.

Current Level Adjustments

Current level operating expenses are reduced to \$77,095 from an actual fiscal 1982 expenditure level of \$80,694. Contracted services were reduced \$1,230 for one-time expenses associated with a human rights grievance case; other services were reduced \$1,456 for one-time relocation expenses associated with transferring a service officer; travel was reduced \$911 in recognition of the elimination of two service officer positions vacant most of the year. In addition, \$1,862 of expense booked as "supplies and materials" was reallocated to contracted services. This adjustment was made for expenses associated with publications and graphics printing costs.

Personal services was reduced with the elimination of two service officer positions vacant nearly the entire year. During last regular session, the division brought word to the committee that secretarial and service officer positions were to be reclassified, resulting in grade hikes for these positions. These grade increases were not funded by the legislature. To fund the upgrades the division did not fill two service officer positions.

Actual fiscal 1982 vacancy savings was 8.3 percent. A 3.5 percent vacancy savings is recommended for the 1985 biennium.

Equipment costs are \$400 annually in the 1985 biennium, consistent with actual costs incurred in fiscal 1982.

Issue 1: Program Discontinuation

The Veterans' Affairs Division has been the subject of close legislative scrutiny for at least the last two sessions. Concern has been expressed that taxpayers' dollars have been misspent through funding of an organization that duplicates services already offered by other organizations such as the Veterans' Administration, Veterans of Foreign Wars and Disabled American Veterans. This year the Governor's Council on Management, in a report issued in October, has also recommended abolishing the Veterans' Affairs Division on the grounds of duplication of services.

While it is true that all of the above organizations exist to provide services to veterans, the extent to which services are duplicated is not so clear. The 1980 Veterans' Affairs sunset audit indicates that:

(1) the VA does not provide scheduled field service for veterans (pg. 15),

(2) the American Legion and Veterans of World War I provide service primarily through referrals to the Veterans' Affairs Division (pp. 16, 17),

(3) neither the VFW nor DAV provide scheduled field service (pp. 16, 17),

(4) the [Veterans' Affairs] division is now the only agency providing statewide field service offices in major cities and scheduled travel to other communities to assist veterans in obtaining VA benefits (pg. 25),

(5) if the division services were terminated, a reduction in overall services would occur (pg. 25),

(6) when questioned on their ability to replace the state services, the veterans' organizations did not believe they had the resources to replace the field services provided by the division (pg. 26), and

(7) veterans' organizations and the VA believe that termination of state services would seriously limit available assistance to veterans and their dependents.

OPTIONS

Option a: Eliminating the division would eliminate 18.5 FTE, plus operating expenses, for total general fund savings of \$480,474 in fiscal 1984 and \$485,279 in fiscal 1985.

Option b: Retain the program.

Option c: Consider program consolidation.

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